

**FAWAZ ABDULAZIZ  
AL HOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**Consolidated financial statements**  
**For the year ended 31 March 2020**  
together with the  
**Independent Auditor's Report**

**FAWAZ ABDULAZIZ AL HOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 March 2020**

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## Independent Auditor's Report

To the Shareholders of Fawaz Abdulaziz AlHokair & Co.

### 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 2020**, 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 2020, 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 Certified Public 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.

# Independent Auditor's Report

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

THE GOING CONCERN BASIS OF ACCOUNTING	
See Note 37 to the consolidated financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>Due to the on-going Covid-19 pandemic, the business environment and operating conditions have significantly impacted almost all businesses including the Group's business. Temporary closure or limited operations of retail outlets and restricted movements of shoppers were some of the key challenges that the Group faced during the period between 16 March 2020 until 20 June 2020. While the retail outlets have fully reopened from 21 June 2020 in the Kingdom, however, there is still uncertainty regarding the operating capacity of retail outlets and the shopping trend in a post lockdown environment. These factors impact future performance and cash flows of the Group.</p> <p>To evaluate the Group's ability to continue as a going concern considering the impact of pandemic on business continuity, the Management has prepared the detailed assessment and has among other factors considered the following factors in preparing its assessment:</p> <ul style="list-style-type: none"> <li>- expected future cash flows considering both in store and online sales,</li> <li>- financing facilities available to the Group and impact associated the related covenants, and</li> <li>- cost saving options available to the Group including impact of any Government support schemes or relief packages</li> </ul> <p>We have identified Going concern as a key audit matter in our audit, due to the significance of judgements and assumptions applied by management in preparing its assessment of going concern under an unpredictable future economic environment and restricted operating conditions.</p>	<p>Our audit procedures in this area, included among others:</p> <ul style="list-style-type: none"> <li>- Assessing the liquidity position of the Group as at reporting date, including the Group's liquidity ratios and its ability to meet its financial obligations as and when they become due.</li> <li>- Inquiring from management and the Board of Directors regarding the Group's ability to continue as a going concern</li> <li>- Assessing the business plan prepared by management and considering the judgments used and assumptions applied by the management in its business plan including the following: <ul style="list-style-type: none"> <li>o Management's expectations of future sales and cash flows,</li> <li>o ability of the Group to obtain financing facilities from lenders for operational support including potential risk and impact, if any, of possible financing covenant non-compliances; and</li> <li>o financial impact of cost saving options planned to be implemented by the Group in their business plan.</li> </ul> </li> <li>- Assessing the accuracy and reasonableness of the underlying information used to prepare the business plan; and</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)

Valuation of Inventories	
Refer to Note: 6.7 to the consolidated financial statements for the accounting policy relating to inventories and Note:13 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 2020, the Group's inventories balance was SR 1,656 million (2019: SR 1,928 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.</p> <p>Further, during the year, as a direct result of the restrictions imposed on operations of the retail outlets in response to the Covid-19 pandemic, Group's ability to sell has been significantly impacted</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 discussing with management regarding realisability with respect to inventory of these brands;</li> <li>• Evaluating the inventory provision made by the Group by considering management's view of current inventory items and their ageing profile, sales forecasts and historical sales trends;</li> <li>• Evaluating the inventory provision methodology and key assumptions used by management, including the impact of Covid-19, in estimating the inventory provision;</li> <li>• Using our IT specialist to test the integrity of the inventories' ageing report used by management in its assessment 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 compared 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 and fittings and other leasehold improvements at stores ("Store Assets")

Refer to Note: 6.4 and 6.11 to the consolidated financial statements for the accounting policy relating to property and equipment and impairment on non-financial assets and Note:8 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 2020, the Group held property and equipment of SR 1,514 million (2019: SR 1,752 million) which comprise of land, buildings and leasehold improvements, furniture and office equipment, motor vehicles and capital work in progress.</p> <p>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 fixtures and fittings and other leasehold improvements at stores ("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 managements' plans for using these assets at stores of other brands and considered the viability of such plans.</li> </ul> </li> </ul>

# Independent Auditor's Report

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

Lease arrangements (Transition) – IFRS 16	
See Note 5, 6.20 and 9 to the consolidated financial statements relating to right-of-use assets and lease liabilities.	
The key audit matter	How the matter was addressed in our audit
<p>The Group has adopted IFRS 16 in the financial statements for the year ended 31 March 2020 for the first time which has introduced a single, on-balance sheet accounting model for lessees. Consequently, the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.</p> <p>The Group has applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations.</p> <p>We considered this as a key audit matter because the calculations of amounts underlying the Right-of-use assets and the corresponding lease liabilities involve new processes for collecting data and involves accounting requirements which requires careful assessment by the management. The key assumptions and estimates include applicability of lease criteria, assessment of lease term, application of practical expedients and the determination of appropriate discount rates.</p>	<p>Our audit procedures in this area, included among others:</p> <ul style="list-style-type: none"> <li>– Evaluating the appropriateness of the selection of accounting policies based on the requirements of IFRS 16, our business understanding and industry practice;</li> <li>– Considering the appropriateness of the transition approach and practical expedients applied;</li> <li>– Evaluating management's process for identifying lease contracts to be assessed based on the selected transition approach and any practical expedients applied;</li> <li>– Considering the completeness, accuracy and relevance of data used in preparing the transition adjustments; and</li> <li>– Evaluating the completeness, accuracy and relevance of the transition disclosures.</li> </ul>

# Independent Auditor's Report

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

Goodwill impairment	
Refer to Note: 6.6 and 6.11 to the consolidated financial statements for the accounting policy relating to goodwill and Note:10 for the goodwill disclosures	
The key audit matter	How the matter was addressed in our audit
<p>As at 31 March 2020, the carrying value of goodwill amounted to SR 1,007 million (2019: SR 805 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 reasonableness 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 terms of applicable accounting 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, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.



## Independent Auditor's Report

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

### **Responsibilities of Management and Those Charged with Governance (the Board of Directors) 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 is 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, related safeguards.

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

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



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

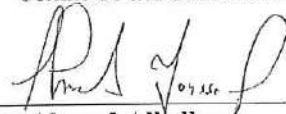


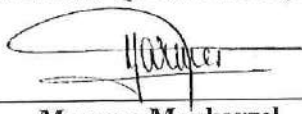
Al Riyadh, Date: 18 Dhul Qi'dah 1441H  
Corresponding to: 9 July 2020


**FAWAZ ABDULAZIZ AL HOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 31 March 2020**  
(All amounts in Saudi Riyals unless otherwise stated)

	<u>Notes</u>	<u>31 March</u> <u>2020</u>	<u>31 March</u> <u>2019</u>
<b>Assets</b>			
Property and equipment	8	1,514,310,454	1,752,363,245
Right-of-use assets	9	4,058,005,277	--
Goodwill and intangible assets	10	1,079,535,759	873,752,580
Investment property	11	3,516,928	62,769,202
Investments in associates	12	31,912,752	134,247,749
Other investments	12	200,000,000	255,041,800
Receivable from disposal of subsidiaries	32	75,000,000	75,000,000
<b>Non-current assets</b>		<u>6,962,281,170</u>	<u>3,153,174,576</u>
Inventories	13	1,655,553,242	1,927,501,987
Advances, deposits and other receivables	14	570,309,960	698,388,699
Prepayments, rentals and insurance	15	68,470,014	207,269,731
Receivable from disposal of subsidiaries	32	75,000,000	204,454,285
Cash and cash equivalents	16	686,455,380	516,394,140
<b>Current assets</b>		<u>3,055,788,596</u>	<u>3,554,008,842</u>
<b>Total assets</b>		<u>10,018,069,766</u>	<u>6,707,183,418</u>
<b>Equity</b>			
Share capital	22	2,100,000,000	2,100,000,000
Statutory reserve		205,816,329	205,816,329
Foreign currency translation reserve		(579,002,031)	(613,274,765)
Fair value reserve		--	161,041,800
(Deficit) / Retained earnings		(112,249,813)	623,915,770
<b>Equity attributable to the shareholders of the Company</b>		<u>1,614,564,485</u>	<u>2,477,499,134</u>
Non-controlling interest	23	(84,870,401)	(66,622,617)
<b>Total equity</b>		<u>1,529,694,084</u>	<u>2,410,876,517</u>
<b>Liabilities</b>			
Loans and borrowings	17	2,423,747,120	2,100,502,329
Lease liabilities	9	3,611,204,334	--
Employee benefits	18	101,618,395	83,664,754
<b>Non-Current liabilities</b>		<u>6,136,569,849</u>	<u>2,184,167,083</u>
Loans and borrowings	17	759,722,532	761,669,129
Lease liabilities – current portion	9	646,747,985	--
Zakat and tax liabilities	20	10,802,154	38,198,206
Trade and other payables		472,622,846	671,635,280
Accruals and other liabilities	19	461,910,316	640,637,203
<b>Current liabilities</b>		<u>2,351,805,833</u>	<u>2,112,139,818</u>
<b>Total liabilities</b>		<u>8,488,375,682</u>	<u>4,296,306,901</u>
<b>Total equity and liabilities</b>		<u>10,018,069,766</u>	<u>6,707,183,418</u>

The attached notes from 1 to 38 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 17 Dhul Qi'dah 1441H (8 July 2020) and signed on its behalf by:

  
**Ahmed Albelbesy**  
Chief Financial Officer


  
**Marwan Moukarzel**  
Chief Executive Officer

  
**Dr. Abdul Majeed Abdulaziz**  
Al Hokair  
Chairman

**FAWAZ ABDULAZIZ AL HOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**For the year ended 31 March 2020**  
(All amounts in Saudi Riyals unless otherwise stated)

	<u>Notes</u>	31 March 2020	31 March 2019
Revenue	24	5,341,789,217	5,425,802,668
Cost of revenue	25	(4,933,943,863)	(4,341,305,770)
<b>Gross profit</b>		<b>407,845,354</b>	<b>1,084,496,898</b>
Selling and distribution expenses	26	(138,461,047)	(180,328,616)
General and administrative expenses	27	(217,885,432)	(278,482,260)
Depreciation and amortization	8,10,11	(295,518,927)	(289,886,474)
Impairment of goodwill	10	(5,817,109)	--
Impairment loss on other receivables	30	(50,455,092)	(2,582,487)
Other operating expense	28	(49,444,566)	(14,755,180)
Other operating income	28	217,209,345	93,847,527
<b>Operating (loss) / profit</b>		<b>(132,527,474)</b>	<b>412,309,408</b>
Finance costs – Loans and borrowings	29	(203,981,822)	(200,938,060)
Finance costs – Lease liability	9	(247,530,613)	--
Share of loss from Investments in associates	12	(49,470,760)	(18,002,841)
<b>(Loss) / Profit before zakat and income tax</b>		<b>(633,510,669)</b>	<b>193,368,507</b>
Zakat and Income tax expense	20	(47,641,861)	(55,318,240)
<b>(Loss) / Profit for the year</b>		<b>(681,152,530)</b>	<b>138,050,267</b>
<b>(Loss) / Profit for the year is attributable to:</b>			
Shareholders of the Company		(656,256,644)	144,747,819
Non-controlling interests	23	(24,895,886)	(6,697,552)
		<b>(681,152,530)</b>	<b>138,050,267</b>
<b>(Losses) / Earnings per share</b>			
Basic and diluted (losses) / earnings per share (Saudi Riyal)	7	(3.13)	0.69

The attached notes from 1 to 38 are an integral part of these consolidated financial statements.

  
**Ahmed Albelbesy**  
Chief Financial Officer

  
**Marwan Moukarzel**  
Chief Executive Officer

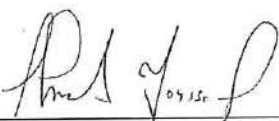
  
**Dr. Abdul Majeed Abdulaziz**  
Al Hokair  
Chairman



**FAWAZ ABDULAZIZ AL HOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 March 2020**  
(All amounts in Saudi Riyals unless otherwise stated)

	<u>Notes</u>	<u>31 March 2020</u>	<u>31 March 2019</u>
<b>(Loss) / Profit for the year</b>		<b>(681,152,530)</b>	<b>138,050,267</b>
<i>Items that will not be reclassified to profit or loss:</i>			
Re measurements of defined benefit liability	18	(2,635,976)	11,223,687
Equity investments at FVOCI – net change in fair value	12	<u>(31,361,800)</u>	<u>161,041,800</u>
		<b>(33,997,776)</b>	<b>172,265,487</b>
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Foreign Operations – foreign currency translation differences		<u>33,321,490</u>	<u>(84,169,006)</u>
		<b>33,321,490</b>	<b>(84,169,006)</b>
<b>Other comprehensive (loss) / income for the year, net of tax</b>		<u>(676,286)</u>	<u>88,096,481</u>
<b>Total comprehensive (loss) / income for the year</b>		<u><b>(681,828,816)</b></u>	<u><b>226,146,748</b></u>
<b>Total comprehensive (loss) / income for the year attributable to:</b>			
Shareholders of the Company		<u>(655,826,416)</u>	<u>229,207,266</u>
Non-controlling interests		<u>(26,002,400)</u>	<u>(3,060,518)</u>
		<u><b>(681,828,816)</b></u>	<u><b>226,146,748</b></u>

The attached notes from 1 to 38 are an integral part of these consolidated financial statements.


  
**Ahmed Albelbesy**  
Chief Financial Officer

  
**Marwan Moukarzel**  
Chief Executive Officer

  
**Dr. Abdul Majeed Abdulaziz  
Al Hokair**  
Chairman

### Attributable to shareholders of the Company

The attached notes from 1 to 38 are an integral part of these consolidated financial statements.

  
Marwan Moukharzel  
Chief Executive Officer

**Dr. Abdul Majeed Abdulaziz Al Hokair**  
*Chairman*


**FAWAZ ABDULAZIZ AL HOKAIR & COMPANY**  
**(A Saudi Joint Stock Company)**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended 31 March 2020**  
(All amounts in Saudi Riyals unless otherwise stated)

	<u>Notes</u>	<b>31 March 2020</b>	31 March <u>2019</u>
<b>Cash flows from operating activities:</b>			
(Loss) / Profit for the year		<b>(681,152,530)</b>	138,050,267
<i>Adjustments for:</i>			
Depreciation and amortization	8, 10, 11	<b>295,518,927</b>	289,886,474
Depreciation on right-of-use assets		<b>588,031,437</b>	
Provision for employees benefits	18	<b>19,968,288</b>	19,310,000
Impairment loss on other receivables	30	<b>50,455,092</b>	2,582,487
Provision for inventory shrinkage and slow-moving inventory, net	13	<b>366,890,754</b>	(104,501,108)
Gain on termination of lease	9	<b>(7,772,066)</b>	--
Zakat and income tax expense	20	<b>47,641,861</b>	55,318,240
Finance cost		<b>203,981,822</b>	200,938,060
Finance cost – lease liability		<b>247,530,613</b>	--
Share of loss from Investments in associates	12	<b>49,470,760</b>	18,002,841
Loss / (gain) on disposal of property and equipment	28	<b>6,934,082</b>	(24,806,441)
Store closure losses	28	<b>42,510,484</b>	14,755,180
Impairment of Goodwill	10	<b>5,817,109</b>	--
Rental concession on leases	28	<b>(52,527,936)</b>	--
Gain on disposal of investment property		<b>(144,497,726)</b>	--
		<b>1,038,800,971</b>	609,536,000
<b>Changes in:</b>			
Inventories		<b>(76,087,669)</b>	(48,883,821)
Advances, deposits and other receivables		<b>(44,377,868)</b>	(87,039,374)
Prepayments, rentals and insurance		<b>(13,601,610)</b>	269,554,290
Trade and other payables		<b>(248,841,032)</b>	(112,901,196)
Accruals and other liabilities		<b>(21,145,868)</b>	261,850,594
<b>Cash generated from operating activities</b>		<b>634,746,924</b>	892,116,493
Zakat and income tax paid	20	<b>(75,037,913)</b>	(60,415,382)
Employee benefits paid	18	<b>(16,425,505)</b>	(27,346,354)
<b>Net cash from operating activities</b>		<b>543,283,506</b>	804,354,757
<b>Cash flows from investing activities:</b>			
Acquisition of property and equipment	8	<b>(128,908,412)</b>	(185,711,230)
Proceeds from disposal of property and equipment		<b>170,266,854</b>	217,322,018
Purchase of intangible assets	10	<b>(4,096,785)</b>	(10,058,087)
Disposal of intangible assets		<b>19,983</b>	373,256
Investment in associate	12	--	(593,797)
Proceeds from disposal of investment		<b>223,680,000</b>	--
Acquisition of subsidiary, net of cash acquired	33	<b>23,947,916</b>	--
<b>Net cash from investing activities</b>		<b>284,909,556</b>	21,332,160

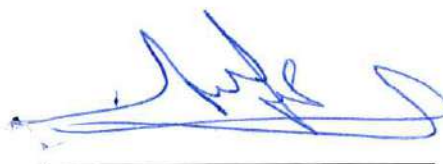
**FAWAZ ABDULAZIZ AL HOKAIR & COMPANY**  
**(A Saudi Joint Stock Company)**  
**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**  
**For the year ended 31 March 2020**  
(All amounts in Saudi Riyals unless otherwise stated)

	<u>Notes</u>	<b>31 March 2020</b>	<b>31 March 2019</b>
<b>Cash flows from financing activities:</b>			
Proceeds from long term borrowings		3,000,000,000	1,084,837,500
Long-term borrowings repaid during the year		(2,598,920,654)	(980,869,701)
Short-term borrowings repaid during the year		(96,361,317)	(432,552,080)
Transaction costs paid during the year		(17,829,019)	(7,279,846)
Finance costs paid		(204,705,048)	(219,894,570)
Finance lease liability paid: Principal		(526,054,430)	--
Finance cost		(247,530,613)	--
<b>Net cash used in financing activities</b>		<b>(691,401,081)</b>	<b>(555,758,697)</b>
Foreign currency exchange translation differences		33,269,259	(84,169,006)
Net increase in cash and cash equivalents		136,791,981	269,928,220
Cash and cash equivalents at the beginning of year		516,394,140	330,634,926
<b>Cash and cash equivalents at end of the year</b>	<b>16</b>	<b>686,455,380</b>	<b>516,394,140</b>
<b>Significant non-cash transactions:</b>			
- Receivable from disposal of a subsidiary during the year	32	--	75,000,000
- Acquisition of subsidiary	33	(132,172,968)	--
- Transfer of consideration on purchase of acquisition	33	340,000,000	--

The attached notes from 1 to 38 are an integral part of these consolidated financial statements.

  
**Ahmed Albelbesy**  
Chief Financial Officer

  
**Marwan Moukarzel**  
Chief Executive Officer

  
**Dr. Abdul Majeed Abdulaziz**  
**Al Hokair**  
Chairman



**FAWAZ ABDULAZIZ AL HOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 March 2020**

**1. REPORTING ENTITY**

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

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

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

**2. GROUP STRUCTURE**

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

<u><b>Subsidiaries</b></u>	<u><b>Country of incorporation</b></u>	<u><b>Ownership interest held by the Group as at:</b></u>	
		<u><b>31 March 2020</b></u>	<u><b>31 March 2019</b></u>
Al Waheedah Equipment Co. Ltd.	Kingdom of Saudi Arabia	100	100
Haifa B. Al Kalam & Partners Co. for trading	Kingdom of Saudi Arabia	100	100
Saudi Retail Co. Ltd	Kingdom of Saudi Arabia	100	100
Wahba Trading Company Limited	Kingdom of Saudi Arabia	100	100
Unique Technology Trading Company	Kingdom of Saudi Arabia	100	100
Nesk Trading Projects Company	Kingdom of Saudi Arabia	100	100
Innovative Union Company (IUC)	Kingdom of Saudi Arabia	100	--
Food Gate company	Kingdom of Saudi Arabia	70	--
Azal Restaurants Company	Kingdom of Saudi Arabia	65	--
First Pizza Company	Kingdom of Saudi Arabia	51	--
Logistics Fashion Trading DWC-LLC	United Arab Emirates	100	100
Advanced Fashion Concepts LLC	United Arab Emirates	100	100
International Fashion Franchising Limited	United Arab Emirates	100	100
Fashion Retail Kazakhstan LLP	Republic of Kazakhstan	100	100
Global Apparel Kazakhstan LLP	Republic of Kazakhstan	100	100
Retail Group Georgia LLC	Georgia	100	100
Master Retail Georgia LLC	Georgia	100	100
Spanish Retail Georgia LLC	Georgia	100	100
Pro Retail Georgia LLC	Georgia	100	100
Best Retail Georgia LLC	Georgia	100	100
Mega Store Georgia LLC	Georgia	100	100

**FAWAZ ABDULAZIZ AL HOKAIR & COMPANY**  
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**For the year ended 31 March 2020**

**2. GROUP STRUCTURE (CONTINUED)**

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Ownership interest held by the Group as at:</u>	
		<u>31 March 2020</u>	<u>31 March 2019</u>
Fashion Retail Georgia LLC	Georgia	100	100
Global Apparel Georgia LLC	Georgia	100	100
Retail Group Holding LLC	Georgia	100	100
Pro Retail Georgia LLC	Georgia	100	100
Modern Fashion Trading Line	Georgia	100	100
International Retail of Morocco	Morocco	100	100
Multi Trends Co.	Morocco	89	89
Retail Group of America LLC	United States of America	100	100
Monsoon Accessories USA INC	United States of America	100	100
Retail Group Jennyfer	United States of America	100	100
Retail Group France LLC	United States of America	100	100
Retail Group Spain LLC	United States of America	100	100
Retail Group Germany	United States of America	100	100
Retail Group Lipsy LLC	United States of America	100	100
Retail Group Zippy LLC	United States of America	100	100
Retail Group Cortefiel	United States of America	100	100
Retail Group Flormar	United States of America	100	100
Retail Group Balkans doo Beograd	Republic of Serbia	100	100
Retail Group Balkans doo Podgorica	Balkan Peninsula	100	100
Retail Group Balkans doo Skopje	Balkan Peninsula	100	100
RIGE Co.	Arab Republic of Egypt	99	99
Retail Group Egypt Co. S.A.E	Arab Republic of Egypt	98	98
Retail Group Armenia CJSC	Armenia	96	96
Spanish Retail CJSC	Armenia	100	100
ZR Fashion Retail CJSC	Armenia	100	100
Global Apparel CJSC	Armenia	100	100
BR Fashion Retail CJSC	Armenia	100	100
Master Retail CJSC	Armenia	100	100
Best Retail CJSC	Armenia	100	100
Retail Group CJSC	Armenia	100	100
Pro Retail CJSC	Armenia	100	100
Retail Group Jordan Co. LDT	Hashemite Kingdom of Jordan	95	95
Nesk Trading Projects LLC	Hashemite Kingdom of Jordan	100	100
Retail General Trading Co. Ltd.	Iraq	95	95
United Group Retail Trading Company LLC	Iraq	66.5	66.5
Models Own Holding Limited	United Kingdom	51	51
Models Own Limited	United Kingdom	51	51
Models Own International Ltd.	United Kingdom	51	51
Retail Group Azerbaijan LLC	Azerbaijan	85	85
Fashion Retail Azerbaijan LLC	Azerbaijan	85	85
Spanish Retail Azerbaijan LLC	Azerbaijan	85	85
Global Apparel Azerbaijan LLC	Azerbaijan	85	85
Mega Store Azerbaijan LLC	Azerbaijan	85	85
Master Retail Azerbaijan LLC	Azerbaijan	85	85
Pro Retail Azerbaijan LLC	Azerbaijan	85	85
Retail Group Holding LLC	Azerbaijan	85	85
Best Retail Azerbaijan LLC	Azerbaijan	85	85

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.

**FAWAZ ABDULAZIZ AL HOKAIR & COMPANY**  
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**For the year ended 31 March 2020**

**3. BASIS OF PREPARATION**

**3.1 Statement of compliance**

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

This is the first set of the Group's annual financial statements in which IFRS 16 Leases has been applied. Changes to significant accounting policies are described in Note 5.

**3.2 Preparation of the financial statements**

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.

**3.3 Functional and presentation currency**

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

**4. USE OF JUDGMENTS AND ESTIMATES**

In preparing these consolidated financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognised prospectively.

***Judgements***

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements, is included in the following notes:

- Note 6.1(i): whether the Group exercises control over an investee
- Note 6.1(ii): classification of equity accounted investees
- Note 6.20 and 9: Lease term; whether the Group is reasonably certain to exercise extension options.

***Assumptions and estimation uncertainties***

Information about assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the consolidated financial statements, is included in the following notes:

- Note 6.6, 6.11, 8 and 10: Impairment of non-financial assets- Goodwill and Property and equipment
- Note 6.10 and 14: Impairment of financial assets – Trade and other receivables
- Note 6.4 and 6.6: Useful lives and residual values of property and equipment and intangible assets.
- Note 6.7 and 13: Provision for slow moving inventory and shrinkage
- Note 18: Measurement of employee benefits obligations: key actuarial assumptions.
- Note 6.16: Provision for Zakat and income tax

**FAWAZ ABDULAZIZ AL HOKAIR & COMPANY**  
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**5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES**

The Group has initially adopted, IFRS 16 'Leases' from 1 April 2019. A number of other new standards are effective for annual periods beginning on or after 1 January 2019 but they do not have a material effect on the Group's consolidated financial statements.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 31 March 2019 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

**Definition of a lease**

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease as explained in note 6.20.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transitions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

**As a lessee**

As a lessee, the Group leases assets including shops and warehouses. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to the ownership of the underlying asset to the Group. Under IFRS 16, the Group recognised right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on consolidated statement of financial position.

Previously, the Group classified leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 April 2019.

Right-of-use assets are measured at either:

- the carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application: the Group applied this approach to large property and store leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all other leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- Did not recognise right-of-use assets and liabilities for leases of low value assets;
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impact on transition**

On transition to IFRS 16, the Group recognised right-of-use assets and lease liabilities, recognizing the difference in retained earnings.

The impact of transition on the consolidated statement of financial position is summarised below:

<b>Impact on</b>	<b>1 April 2019</b>
Right-of-use assets recognised on transition	4,724,686,394
Lease liabilities on right of use assets	(4,902,297,967)
Adjustments for prepayments and advances	(152,401,327)
Adjustment for accruals	122,448,609
Adjustment to retained earnings	<u>(207,564,291)</u>

When measuring lease liabilities for leases that were classified as operating leases under IAS 17, the Group discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted average rate applied is 5.3% - 6.5%.

	<b>1 April 2019</b>
Operating lease commitments at 31 March 2019 as disclosed under IAS 17	<u>1,275,711,168</u>
Discounted using the incremental borrowing rate at 1 April 2019	1,258,840,752
- Recognition exemption for leases at low-value assets	--
- Recognition exemption for leases with less than 12 months of lease term	(109,043,497)
- Extension options reasonably certain to be exercised	<u>3,752,500,712</u>
Lease liabilities recognised at 1 April 2019	<u>4,902,297,967</u>

**FAWAZ ABDULAZIZ AL HOKAIR & COMPANY**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 March 2020**

**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, except for application of IFRS 16 as stated in note 5. Certain prior year figures have been reclassified to conform to current year presentation.

**6.1 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 recognises 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 recognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised 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 recognised at cost and adjusted thereafter to recognise 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 recognised 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 recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity

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**For the year ended 31 March 2020**

**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6.1 Basis of consolidation (continued)**

*(ii) Associates (continued)*

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 recognised under profit and loss in the consolidated statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount

**6.2 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 recognised 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 recognised in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interest.

**6.3 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 recognised 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.

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**For the year ended 31 March 2020**

**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6.3 Revenue recognition (continued)**

*Online sales*

Sales are recognised 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 recognised 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 recognised at the time of sale. The validity of these conclusions is assessed at each reporting date. If the returns pattern changed, the Group would recognise 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.

**6.4 Property and equipment**

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

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

	<b>Number of years</b>		<b>Number of years</b>
Buildings	33 years	Leasehold improvements	8-15 years
Furniture, fixtures and office equipment	10 years	Motor vehicles	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 derecognised 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 derecognised.

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 (note 6.11).



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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6.5 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 discussed in section 6.4 above.

**6.6 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 recognised 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 recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated years of amortization of the principal classes of other intangible assets is as follows:

	<b>Number of years</b>
Software	25 years
Key money	10 years
Deferred charges	8 years

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

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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6.7 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.

**6.8 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.

**6.9 Financial instruments**

*(i) Recognition and initial measurement*

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised 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: amortised 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 amortised 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 amortised cost or FVOCI as described above are measured at FVTPL.

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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6.9 Financial instruments (continued)**

*(ii) Classification and subsequent measurement (continued)*

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 realising 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.

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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6.9 Financial instruments (continued)**

*(ii) Classification and subsequent measurement (continued)*

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest (continued)

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 recognised in profit or loss.
Financial assets at Amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments At FVOCI	These assets are subsequently measured at fair value. Dividends are recognised 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 recognised 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 amortised 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 recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

*(iii) Derecognition*

Financial assets

The Group derecognises 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 recognised 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 derecognised.

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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6.9 Financial instruments (continued)**

*(iii) Derecognition*

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises 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 recognised 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 recognised 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 realise the asset and settle the liability simultaneously.

**6.10 Impairment of financial instruments**

The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised 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 amortised 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 reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6.10 Impairment of financial instruments (continued)**

**Presentation of allowance for ECL in the statement of financial position**

Loss allowances for financial assets measured at amortised 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.

**6.11 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 recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised 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 amortisation, if no impairment loss had been recognised.

**6.12 Finance income and finance cost**

Finance income includes interest income which is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in consolidated statement of profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise of financial charges on borrowings including sukuks that are recognised 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 recognised 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.

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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6.13 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 recognised 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.

**6.14 Provisions**

Provisions are recognised 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 recognised 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 recognised as interest expense.

**6.15 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 recognised 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.

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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6.15 Employee benefits and post-employment benefits (continued)**

*(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 recognised 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 recognised 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 recognised immediately in the consolidated statement of profit or loss as past service costs.

**6.16 Zakat and income tax**

*(i) Zakat*

Zakat is provided in accordance with the Regulations of the General Authority of Zakat and Tax (GAZT) 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 General Authority of Zakat and Tax ("GAZT") 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 recognised 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 recognised for all taxable temporary differences. Deferred tax assets are generally recognised 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 utilised. Such deferred tax assets and liabilities are not recognised 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 recognised if the temporary difference arises from the initial recognition of goodwill.



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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6.16 Zakat and income tax (continued)**

*(iii) Deferred tax (continued)*

Deferred tax liabilities are recognised 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 recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise 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 realised, 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.

**6.17 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.

**6.18 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.

**6.19 Statutory reserve**

In accordance with the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to recognise a reserve comprising of 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.

**6.20 Leases**

The Group has applied IFRS 16 using the modified retrospective approach therefore the comparative information presented for 31 March 2019 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed in note 5.

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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6.20 Leases (continued)**

*Policy applicable from 1 April 2019*

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.

The policy is applied to all contract entered into, on or after 1 April 2019. 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 recognises 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 amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group's changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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

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

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

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**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6.20 Leases (continued)**

*Policy applicable before 1 April 2019*

Leases of assets or properties where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The assets and properties acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to consolidated statement of profit or loss on a straight-line basis over the period of the lease.

**6.21 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.

**7. (LOSSES) / EARNINGS PER SHARE**

**Basic (losses) / earnings per share**

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

	<b>31 March <u>2020</u></b>	31 March <u>2019</u>
(Loss) / profit attributable to ordinary shareholders	<u><b>(656,256,644)</b></u>	<u>144,747,819</u>
Weighted average number of ordinary shares (note 22)	<u><b>210,000,000</b></u>	<u>210,000,000</u>
Basic and diluted (loss)/profit per share	<u><b>(3.13)</b></u>	<u>0.69</u>

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**8. PROPERTY AND EQUIPMENT**

	Land	Buildings and leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Capital work in progress*	Total
<b>Cost:</b>						
At 1 April 2019	14,920,930	2,919,606,678	686,440,644	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 (note 33)	--	71,146,079	50,757,803	4,196,741	5,364,260	131,464,883
Disposals / write off	--	(145,031,302)	(14,932,440)	(591,900)	(164,139,158)	(324,694,800)
<b>At 31 March 2020</b>	<b>14,920,930</b>	<b>2,914,707,522</b>	<b>762,660,596</b>	<b>18,615,449</b>	<b>245,134,798</b>	<b>3,956,039,295</b>
<b>Accumulated depreciation and impairment:</b>						
At 1 April 2019	--	1,802,438,020	451,752,905	13,806,630	--	2,267,997,555
Charge for the year	--	212,609,837	65,141,221	963,608	--	278,714,666
Disposals / write off	--	(89,459,043)	(14,932,440)	(591,897)	--	(104,983,380)
<b>At 31 March 2020</b>	<b>--</b>	<b>1,925,588,814</b>	<b>501,961,686</b>	<b>14,178,341</b>	<b>--</b>	<b>2,441,728,841</b>
<b>Net book value:</b>						
<b>At 31 March 2020</b>	<b>14,920,930</b>	<b>989,118,708</b>	<b>260,698,910</b>	<b>4,437,108</b>	<b>245,134,798</b>	<b>1,514,310,454</b>

\* Capital work in progress mainly relates to leasehold improvements under construction for new stores of the Group. During the year, the Group has changed plans for stores expansion and SR 160 million has been refunded from the contractor.

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**8. PROPERTY AND EQUIPMENT (CONTINUED)**

	Land	Buildings and leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Capital work in progress	Total
<b>Cost:</b>						
At 1 April 2018	61,045,930	3,127,746,403	683,689,308	14,306,635	332,374,470	4,219,162,746
Additions	--	112,123,656	10,422,803	297,366	62,867,405	185,711,230
Transfers	--	--	9,655,957	--	(9,655,957)	--
Disposals and write-offs	(46,125,000)	(320,263,381)	(17,327,424)	(797,371)	--	(384,513,176)
<b>At 31 March 2019</b>	<b>14,920,930</b>	<b>2,919,606,678</b>	<b>686,440,644</b>	<b>13,806,630</b>	<b>385,585,918</b>	<b>4,020,360,800</b>
<b>Accumulated depreciation and impairment:</b>						
At 1 April 2018	--	1,767,052,590	392,178,745	14,143,951	--	2,173,375,286
Charge for the year	--	199,864,144	71,743,313	257,232	--	271,864,689
Transfers	--	--	--	--	--	--
Disposals and write-offs	--	(164,478,714)	(12,169,153)	(594,553)	--	(177,242,420)
<b>At 31 March 2019</b>	<b>--</b>	<b>1,802,438,020</b>	<b>451,752,905</b>	<b>13,806,630</b>	<b>--</b>	<b>2,267,997,555</b>
<b>Net book value:</b>						
<b>At 31 March 2019</b>	<b>14,920,930</b>	<b>1,117,168,658</b>	<b>234,687,739</b>	<b>--</b>	<b>385,585,918</b>	<b>1,752,363,245</b>

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**9. RIGHT-OF-USE ASSETS AND LEASE LIABILITY**

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.

*i. Right-of-use assets*

	<b>31 March 2020</b>
At 1 April 2019	--
Recognition of right-of-use asset on initial application of IFRS 16	4,724,686,394
Additions on acquisition (note 33)	324,335,858
Additions	74,803,175
Adjustment for termination	(417,866,110)
Adjustment for reassessment	(59,974,835)
Depreciation charge for the year	(588,031,437)
Forex gain / (loss)	52,232
<b>Balance at 31 March 2020</b>	<b>4,058,005,277</b>

*ii. Lease liabilities*

	<b>31 March 2020</b>
At 1 April 2019	--
Recognition of lease liability on initial application of IFRS 16	4,902,297,967
Additions on acquisition (note 33)	345,046,554
Interest expense	247,530,613
Additions	74,803,175
Adjustment for termination	(425,638,176)
Adjustment for re-assessment	(59,974,835)
Rental concession (note 28)	(52,527,936)
Payment of lease liability	
– principal	(526,054,430)
– interest	(247,530,613)
<b>Balance at 31 March 2020</b>	<b>4,257,952,319</b>

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

	<b>31 March 2020</b>
Non-current portion of lease liabilities	3,611,204,334
Current portion of lease liabilities	646,747,985
<b>Balance at 31 March 2020</b>	<b>4,257,952,319</b>

*iii. Amounts recognised in profit or loss*

	<b>31 March 2020</b>
<b>For year ended 31 March 2020 – Leases under IFRS 16</b>	
Depreciation of right-of-use assets (note 25)	588,031,437
Interest on lease liabilities	247,530,613
Expenses relating to short-term / variable rent leases	65,234,199
	<b>31 March 2019</b>
<b>For year ended 31 March 2019 – Operating leases under IAS 17</b>	
Lease expense	787,525,588

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**10. GOODWILL AND INTANGIBLE ASSETS**

	<u>2020</u>	<u>2019</u>
Goodwill (Refer note 10.1 and 10.2)	<b>1,006,570,189</b>	804,560,265
Other intangible assets (Refer note 10.3)	<b>72,965,570</b>	69,192,315
	<b><u>1,079,535,759</u></b>	<b><u>873,752,580</u></b>

**10.1 Goodwill**

	<u>2020</u>	<u>2019</u>
Nesk Projects Trading Co (refer 10.1.1)	<b>417,796,779</b>	417,796,779
Mango brand (refer 10.1.2)	<b>319,508,613</b>	319,508,613
Innovative Union Company (refer 10.1.3)	<b>207,827,033</b>	--
Wahba Trading Company Ltd (refer 10.1.4)	<b>61,437,764</b>	61,437,764
Models Own Holding Ltd. (refer 10.1.5)	<b>--</b>	5,817,109
	<b><u>1,006,570,189</u></b>	<b><u>804,560,265</u></b>

**10.1.1** On 10 Dhul-Qadah 1433H (corresponding to 26 September 2012), the Group completed the acquisition process of Nesk Trading Projects Company (the 'Subsidiary'), a limited liability company registered in the Kingdom of Saudi Arabia. The Subsidiary 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 an effective 100% equity interest in Nesk Trading Projects Company, through a tender offer, 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.

**10.1.2** On 20 Dhul-Qadah 1435H (corresponding to 15 September 2014), the Group signed an agreement with Danah Group Trading Establishment, a sole proprietorship registered in the Kingdom of Saudi Arabia to acquire the business of fashion retail and franchise rights of the international fashion brand "Mango" in the Kingdom of Saudi Arabia. The consideration paid by the Group for this business acquisition amounted to SR 378 million.

**10.1.3** During January 2020, the Group acquired 100% equity ownership in Innovation 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. 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.

**10.1.4** During April 2009, the Group acquired 100% equity ownership in Wahba Trading Company Limited. At the date of acquisition, the fair value of net assets of the subsidiary was 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.

**10.1.5** During the year ended 31 March 2016, the Group completed the acquisition of 51% equity interest in Models Own Holding Limited, registered in England and Wales, through its indirectly 51% owned subsidiary named Express Fashion Trading Limited registered in the United Arab Emirates for a purchase price of SR 12.3 million (equivalent to GBP 2 million). During the year, management has assessed the recoverable amount of the CGU and allocated impairment of goodwill amounting to SR 5.8 million.

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**10. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)**

**10.2 Goodwill impairment test**

Goodwill is tested annually for impairment by management. For the year ended 31 March 2020, 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 Wahba Trading Company Limited, Nesk Projects Trading Company, Mango Brand related business and Innovative Union Company of 2%. In management's opinion, the growth rate assumptions do not exceed the long-term average growth rates for fashion retail and food and beverage business in which the companies operate. Key assumptions for the value-in-use calculation are set out below.

	<b>Wahba Trading Company Limited</b>	<b>Nesk Projects Trading Company</b>	<b>Mango Brand related business</b>	<b>Innovative Union Company</b>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
Discount rate	7.6	7.6	7.6	10.8
Budgeted gross margins	46	43	43	65
Average annual growth rate for sale	2	2	2	2
Terminal growth rate	2	2	2	2

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

**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.

**10.3 Other intangible assets**

	<b>Software</b>	<b>Key money</b>	<b>Deferred charges</b>	<b>Total</b>	<b>2019</b>
<b>Cost</b>					
<b>At beginning of the year</b>	<b>35,221,948</b>	<b>141,659,508</b>	<b>48,187,138</b>	<b>225,068,594</b>	216,816,244
Additions	--	176,000	3,920,785	4,096,785	10,058,087
Additions on acquisition (note 33)	--	12,750,714	--	12,750,714	--
Disposals	--	--	(19,983)	(19,983)	(1,805,737)
<b>At end of the year</b>	<b>35,221,948</b>	<b>154,586,222</b>	<b>52,087,940</b>	<b>241,896,110</b>	225,068,594
<b>Accumulated amortization and impairment</b>					
<b>At beginning of the year</b>	<b>14,169,262</b>	<b>101,072,928</b>	<b>40,634,089</b>	<b>155,876,279</b>	144,286,978
Charge for the year	1,409,263	8,082,063	3,562,935	13,054,261	13,021,785
Disposals	--	--	--	--	(1,432,484)
<b>At end of the year</b>	<b>15,578,525</b>	<b>109,154,991</b>	<b>44,197,024</b>	<b>168,930,540</b>	155,876,279
<b>Net book value</b>					
<b>31 March 2020</b>	<b>19,643,423</b>	<b>45,431,231</b>	<b>7,890,916</b>	<b>72,965,570</b>	
31 March 2019	21,052,686	40,586,580	7,553,049		69,192,315



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**11. INVESTMENT PROPERTY**

	<b>31 March 2020</b>	31 March 2019
Land and buildings (Investment in Gallery Mall)	--	59,252,274
Residential apartment (note 11.2)	<b>3,516,928</b>	3,516,928
	<b><u>3,516,928</u></b>	<u>62,769,202</u>

**11.1** Movement for land and buildings is as follows:

<b>Land and buildings (Gallery Mall)</b>	<b>31 March 2020</b>	31 March 2019
<b>Cost</b>		
Balance as at beginning of the year	<b>104,252,274</b>	104,252,274
Disposal during the year (note 11.1)	<b>(104,252,274)</b>	--
	<b><u>--</u></b>	<u>104,252,274</u>
<b>Accumulated depreciation:</b>		
Opening balance	<b>45,000,000</b>	40,000,000
Charge for the year	<b>3,750,000</b>	5,000,000
Disposal during the year	<b>(48,750,000)</b>	--
<b>Closing balance</b>	<b><u>--</u></b>	<u>45,000,000</u>
<b>Net book value</b>	<b><u>--</u></b>	<u>59,252,274</u>

During the year, the Group disposed its investment in Galley mall for a consideration of SR 200 million. Resultant gain of SR 144.5 million has 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.

As at 31 March 2019, fair value of the Gallery mall property was valued at SR 1.74 billion by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. Group owns 16.7% share in the property.

**11.2** As at 31 March 2020, the legal ownership of residential apartment is yet to be transferred in the name of the Group.

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**12. INVESTMENTS IN ASSOCIATES AND OTHERS**

	<b><i>Ownership</i></b> <b><i>%</i></b>	<b><i>Country of</i></b> <b><i>incorporation</i></b>	<b>2020</b>	<b>2019</b>
<b>Associates:</b>				
Investate Harbour Land	9.3	Cayman Islands	<b>16,495,421</b>	16,495,794
Burberry Saudi Co. Ltd.	25	Kingdom of Saudi Arabia	<b>12,494,323</b>	16,933,015
FG4 Limited	50	United Arab Emirates	<b>2,022,462</b>	24,618,392
Investate Harbour	1.7	Cayman Islands	<b>900,546</b>	900,750
Amwal Al Khaleejiah Al Oula	25	Kingdom of Saudi Arabia	--	22,435,561
Al Farida Trading Agencies	35	Kingdom of Saudi Arabia	--	13,908,062
Al Waheedah Equipment General Trading FZCO	49	United Arab Emirates	--	38,956,175
<b>Total</b>			<b><u>31,912,752</u></b>	<u>134,247,749</u>
<b>Other Investments:</b>				
Al Mubarak Real Estate Income Fund –II (note 12.3)		Kingdom of Saudi Arabia	<b>200,000,000</b>	--
Trade Center Co. Ltd. (note 12.2)	9.3	Kingdom of Saudi Arabia	--	255,041,800
<b>Total other investments</b>			<b><u>200,000,000</u></b>	<u>255,041,800</u>

**12.1** Movement in associates during the year ended 31 March 2020 is as follows:

	<b>Balance as at</b> <b>31 March</b> <b>2019</b>	<b>(Disposal)</b>	<b>Share of profit / (loss) and impairment</b>	<b>Balance as at</b> <b>March</b> <b>2020</b>
<b>Associates:</b>				
Investate Harbour Land*	16,495,794	--	(373)	16,495,421
Burberry Saudi Co. Ltd.	16,933,015	--	(4,438,692)	12,494,323
FG 4 Limited	24,618,392	--	(22,595,930)	2,022,462
Investate Harbour*	900,750	--	(204)	900,546
Amwal Al Khaleejia Al Oula	22,435,561	--	(22,435,561)	--
Al Farida Trading Agencies	13,908,062	(13,908,062)	--	--
Al Waheedah Equipment General Trading FZCO	38,956,175	(38,956,175)	--	--
<b>Total</b>	<b><u>134,247,749</u></b>	<b><u>(52,864,237)</u></b>	<b><u>(49,470,760)</u></b>	<b><u>31,912,752</u></b>
	<b>Balance as at</b> <b>31 March</b> <b>2018</b>	<b>Additions / (Disposal)</b>	<b>Share of profit / (loss)</b>	<b>Balance as at</b> <b>March</b> <b>2019</b>
<b>Associates:</b>				
Amwal Al Khaleejia Al Oula	32,390,207	--	(9,954,646)	22,435,561
Investate Reality BSC*	22,555,714	(20,913,472)	(1,642,242)	--
Investate Harbour Land*	--	16,495,794	--	16,495,794
Investate Harbour*	--	900,750	--	900,750
Burberry Saudi Co. Ltd.	23,782,697	--	(6,849,682)	16,933,015
FG 4 Limited	23,580,866	593,797	443,729	24,618,392
Al Farida Trading Agencies	13,908,062	--	--	13,908,062
Al Waheedah Equipment General Trading FZCO	38,956,175	--	--	38,956,175
<b>Total</b>	<b><u>155,173,721</u></b>	<b><u>(2,923,131)</u></b>	<b><u>(18,002,841)</u></b>	<b><u>134,247,749</u></b>

Share of profit / (loss) has been recorded based on the latest available financial information.

\* Investate Reality BSC, an entity registered in the Kingdom of Bahrain was liquidated during the year ended 31 March 2019. The company was active in real estate activities through two entities Investate Harbour and Investate Harbour Land.

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**12. INVESTMENTS IN ASSOCIATES AND OTHERS (CONTINUED)**

Summarized financial information as per the latest available financial statements of equity accounted investees are as follows:

<u>Investee name</u> <u>2020</u>	<u>Financial year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Total Comprehensive income</u>
Investate Harbour Land	31 March 2020	182,446,340	4,453,560	--	(4,003)
Investate Harbour	31 March 2020	50,967,702	4,504	--	(11,509)
Burberry Saudi Company Ltd.	31 December 2019	73,741,196	23,766,209	31,391,796	(17,819,411)
FG4 Limited	31 March 2020	8,883,795	6,387,521	--	(39,199,830)
		<u>316,039,033</u>	<u>34,611,794</u>	<u>31,391,796</u>	<u>(57,034,753)</u>

<u>Investee name</u> <u>2019</u>	<u>Financial year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Total Comprehensive income</u>
Amwal Al Khaleejia Al Oula		93,570,424	3,828,229	15,660,957	13,107,270
Investate Harbour Land	31 July 2018	183,188,780	5,862,360	--	(10)
Investate Harbour	31 July 2018	50,781,657	14,457	--	(9,472)
Burberry Saudi Company Ltd.	31 December 2018	77,801,929	10,069,863	60,499,482	15,103,103
FG4 Limited	31 March 2019	51,256,373	2,019,589	--	(25,744)
Al Farida Trading Agencies	31 March 2019	119,920,350	64,218,048	8,265,618	(3,868,460)
Al Waheedah Equipment					
General Trading FZCO	31 March 2019	397,838,346	375,364,065	242,153,524	71,190,306
		<u>974,357,859</u>	<u>461,376,611</u>	<u>326,579,581</u>	<u>95,496,993</u>

**12.2 Equity securities designated at FVOCI**

This represents 9.3% equity investment in Trade Centre Co. Ltd. During the year ended 31 March 2020, the Group has disposed of the investment for a consideration of SR 223 million. Fair value of the investment as at date of disposal of SR 129.6 million has been transferred from fair value reserve to retained earnings.

**12.3 Equity securities at FVTPL**

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. As the fund is registered recently and the net asset value (NAV) is not available as at 31 March 2020, cost has been considered as an approximation of the fair value.

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**13. INVENTORIES**

	<b>31 March 2020</b>	31 March 2019
Goods available for sale	<b>1,717,795,573</b>	1,998,414,668
Goods in transit	<b>162,246,868</b>	113,904,605
Supplies	<b>35,066,695</b>	36,847,854
	<b><u>1,915,109,136</u></b>	<u>2,149,167,127</u>
Provision for inventory shrinkage and slow-moving inventory	<b>(259,555,894)</b>	(221,665,140)
Inventories	<b><u>1,655,553,242</u></b>	<u>1,927,501,987</u>

Movement in provision for inventory shrinkage and slow-moving inventory is as follows:

	<b>31 March 2020</b>	31 March 2019
Opening balance	<b>221,665,140</b>	326,166,248
Provision recorded during the year	<b>221,216,742</b>	75,984,435
Provision written off during the year	<b>(183,325,988)</b>	(180,485,543)
<b>Closing balance</b>	<b><u>259,555,894</u></b>	<u>221,665,140</u>

During the year, inventories have been reduced by SR 329 million (2019: Nil) as a result of write-down to net realizable value and were recognised as an expense and included in 'cost of revenue'.

**14. ADVANCES, DEPOSITS AND OTHER RECEIVABLES**

	<b>31 March 2020</b>	31 March 2019
Receivable from related parties (note 21)	<b>197,088,533</b>	290,024,991
Advances to suppliers	<b>159,166,462</b>	219,535,716
VAT receivable	<b>75,805,985</b>	30,769,252
Margin on letters of credit and guarantee	<b>30,257,097</b>	32,162,012
Employee receivables	<b>24,403,381</b>	34,631,202
Security deposits	<b>28,973,964</b>	21,805,529
Receivable from credit card and wholesale	<b>10,687,939</b>	50,522,051
Receivable from Human Resources Development Fund (HRDF)	<b>3,452,167</b>	7,023,581
Margin compensation receivable	<b>6,360,513</b>	6,117,930
Accrued custom refund	<b>10,732,301</b>	11,762,001
Others	<b>23,381,618</b>	15,166,466
	<b><u>570,309,960</u></b>	<u>719,520,731</u>
Impairment allowance for doubtful receivables	<b>--</b>	(21,132,032)
	<b><u>570,309,960</u></b>	<u>698,388,699</u>

Information about the impairment of receivables, their credit ratings and the Group's exposure to credit risk is disclosed in note 30.

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**15. PREPAYMENTS, RENTALS AND INSURANCE**

	<b>31 March 2020</b>	31 March 2019
Prepaid rent		
– Related party (note 21)	14,146,401	61,636,437
– Others	1,604,849	102,000,176
Prepaid insurance	47,078,170	15,868,166
Others	5,640,594	27,764,952
	<u>68,470,014</u>	<u>207,269,731</u>

**16. CASH AND CASH EQUIVALENTS**

	<b>31 March 2020</b>	31 March 2019
Bank balances	679,808,231	500,421,060
Cash in hand	6,647,149	15,973,080
	<u>686,455,380</u>	<u>516,394,140</u>

Bank balances includes SAR 595 million (2019: Nil) which represent placement deposits with financial institution. The deposits are for short term period and carry profit rate of 0.65%.

**17. LOANS AND BORROWINGS**

	<b>Note</b>	<b>31 March 2020</b>	31 March 2019
<b>Non-current liabilities</b>			
Non-current portion of long-term borrowings	17.1	<u>2,423,747,120</u>	<u>2,100,502,329</u>
<b>Current liabilities</b>			
Current portion of long-term borrowings	17.1	559,310,961	464,896,241
Short term borrowings	17.2	<u>200,411,571</u>	<u>296,772,888</u>
		<u>759,722,532</u>	<u>761,669,129</u>

**17.1 Long term borrowings**

	<b>Note</b>	<b>31 March 2020</b>	31 March 2019
<b><i>Murabaha financing</i></b>			
Facility 1	17.1.1	3,000,000,000	--
Facility 2	17.1.1	--	133,593,750
Facility 3	17.1.1	--	168,682,500
Facility 4	17.1.1	--	62,500,000
Facility 5	17.1.1	--	1,149,306,904
Facility 6	17.1.1	--	795,547,500
Facility 7	17.1.1	--	289,290,000
		<u>3,000,000,000</u>	<u>2,598,920,654</u>
Less: Upfront fees		<u>(16,941,919)</u>	<u>(33,522,084)</u>
		<u>2,983,058,081</u>	<u>2,565,398,570</u>
Current portion of long-term borrowings		<u>(559,310,961)</u>	<u>(464,896,241)</u>
Non-current portion of long-term borrowings		<u>2,423,747,120</u>	<u>2,100,502,329</u>

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**17. LOANS AND BORROWINGS (CONTINUED)**

**17.1.1 Murabaha financing**

**Facility 1**

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

**Facility 2**

On 16 October 2014, the Group signed a long-term Master Murabaha Facility Agreement (the "Agreement") of SR 712.5 million (equivalent to USD 190 million) with a foreign bank. As per the Agreement, the term of the Murabaha facility is for a period of 5 years. During the year, the related facility was early settled in full and the related charges and guarantees have been released by the financial institution.

**Facility 3**

On 28 December 2015, the Group signed a long-term Master Murabaha Facility Agreement (the "Agreement") of SR 281.1 million (equivalent to AED 275.6 million) with a foreign bank. As per the Agreement, the term of the Murabaha facility is for a period of 6 years. During the year, the related facility was early settled in full and the related charges and guarantees have been released by the financial institution.

**Facility 4**

On 25 December 2016 the Group has signed a long term Master Murabaha Facility Agreement (the 'Agreement') with Natixis S.A. amounting to SR 187.5 million (equivalent to USD 50 million). As per the Agreement, the term of the Murabaha Facility is for a period of 3 years. During the year, the related facility was early settled in full and the related charges and guarantees have been released by the financial institution.

**Facility 5**

The Group signed a long-term Murabaha financing agreement with Al-Rajhi Banking and Investment Corporation, amounting to SR 1.25 billion on 22 August 2017. As per the terms of the agreement, the term of the Murabaha facility is for a period of seven years. During the year, the related facility was early settled in full and the related charges and guarantees have been released by the financial institution.

**Facility 6**

The Group signed a long-term Murabaha financing agreement with The National Commercial Bank and SAMBA, amounting to SR 825 million on 31 May 2019. As per the terms of the agreement, the term of the Murabaha facility is for a period of seven years. During the year, the related facility was early settled in full and the related charges and guarantees have been released by the financial institution.

**Facility 7**

The Group signed a long-term Murabaha financing agreement with Abu Dhabi Islamic Bank, amounting to USD80 million on 31 May 2019. As per the terms of the agreement, the term of the Murabaha facility is for a period of seven years. During the year, the related facility was early settled in full and the related charges and guarantees have been released by the financial institution.

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**17. LOANS AND BORROWINGS (CONTINUED)**

**17.1.1 Murabaha financing (continued)**

The loans contain certain financial covenants. A future breach of covenants may lead to renegotiation including increase in profit rates, withdrawal of facility or repayment on demand. The covenants are monitored on a periodic basis by management. In case of potential breach, actions are taken by management to ensure compliance.

During the year ended 31 March 2020, there has been non-compliance of certain covenants on outstanding facility with National Commercial Bank. However, as per terms of the agreement, there was no impact on the classification of the liability as at year end.

**17.2 Short term borrowings**

	<u>Note</u>	<b>31 March 2020</b>	31 March 2019
Short-term Murabaha facilities	17.2.1	<b>27,045,795</b>	247,145,752
Short-term financing	17.2.2	<b>149,998,571</b>	--
Long term Murabaha facility	17.2.3	--	26,234,722
Short term financing (Jordan)	17.2.4	<b>23,367,205</b>	23,392,414
		<b><u>200,411,571</u></b>	<b><u>296,772,888</u></b>

**17.2.1 Short-term Murabaha facilities**

The Group has short-term Murabaha facilities with local and foreign commercial banks amounting to SR 100 million (31 March 2019: SR 1,350 million). The facilities are secured by promissory notes by the Group and utilized for working capital management.

**17.2.2 Other short-term financing**

During the year, 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 SAR 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 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.

**17.2.3 Long term murabaha facility**

On 13 April 2015, the Group signed an amendment of a facility agreement (the "Agreement") that was originally signed on 24 December 2013 with a local bank to allow for an increase in the overall facility amount from SR 235 million to SR 335 million. The amended facility Agreement includes total amount of SR 100 million as medium-term loan. The medium-term loan is repayable in equal 18 quarterly installments commenced on October 2015 and ending on January 2020. The facility is secured by promissory notes by the Group.

**17.2.4 Short term Financing – Retail Group Jordan**

Retail Group Jordan has short-term financing facilities with the bank amounting to SAR 23.3 million at an annual interest rate of ranging from 8%-8.75%

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**18. EMPLOYEE BENEFITS**

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.

**18.1 Amounts in the consolidated statement of financial position**

The amounts recognised in the consolidated statement of financial position and the movements in the defined benefit obligation are as follows:

	<b>31 March 2020</b>	31 March 2019
<b>Opening balance</b>	<b>83,664,754</b>	102,924,795
Acquisition of new subsidiary (note 33)	<b>11,774,882</b>	--
<i>Statement of profit or loss</i>		
Current service cost	<b>16,435,288</b>	15,489,000
Interest cost	<b>3,533,000</b>	3,821,000
	<b>19,968,288</b>	19,310,000
<i>Statement of other comprehensive income</i>		
Actuarial gain		
– financial assumptions	<b>(579,024)</b>	(1,805,000)
– other assumptions and experience adjustments	<b>3,215,000</b>	(9,418,687)
	<b>2,635,976</b>	(11,223,687)
	<b>118,043,900</b>	111,011,108
Settlements during the year	<b>(16,425,505)</b>	(27,346,354)
<b>Closing balance</b>	<b>101,618,395</b>	83,664,754

**18.2 Significant actuarial assumptions**

The significant actuarial assumptions used were as follows:

	<b>31 March 2020</b>	31 March 2019
<b><i>Economic assumptions</i></b>		
Gross discount rate	<b>4.10%</b>	3.90%
Price inflation	<b>2.0%</b>	2.0%
Salary growth rate	<b>3.0%</b>	3.0%
<b><i>Demographics assumptions</i></b>		
Number of employees	<b>8,896</b>	9,517
Average age of employees (years)	<b>30.8</b>	30.3
Average years of past service	<b>3.1</b>	2.8



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**18. POST-EMPLOYMENT BENEFITS (CONTINUED)**

**18.3 Sensitivity analysis**

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

	<b><u>Change in assumption</u></b>	<b><u>31 March 2020</u></b>	<b><u>31 March 2019</u></b>
Salary inflation	1% Decrease	<b>(12,123,000)</b>	(8,139,754)
	1% Increase	<b>4,760,000</b>	9,553,246
Discount rate	1% Decrease	<b>4,750,000</b>	9,563,246
	1% Increase	<b>(11,982,000)</b>	(8,005,754)

**19. ACCRUALS AND OTHER CURRENT LIABILITIES**

	<b><u>31 March 2020</u></b>	<b><u>31 March 2019</u></b>
Payable to contractors and others	<b>240,183,497</b>	275,449,878
Payable to related party (note 21)	<b>113,953,401</b>	38,149,136
Employees' salaries and benefits	<b>58,507,764</b>	74,064,325
Finance cost accrued	<b>6,479,144</b>	55,830,490
Royalty payable	<b>11,801,409</b>	18,339,640
Government duties	<b>11,614,843</b>	9,187,097
Payable against credit cards	<b>9,684,160</b>	4,249,528
Accrued consignment margin	<b>4,476,781</b>	2,102,882
Rent payable	<b>--</b>	133,830,226
Others	<b>5,209,317</b>	29,434,001
	<b><u>461,910,316</u></b>	<b><u>640,637,203</u></b>

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**20. ZAKAT AND TAX LIABILITIES**

**20.1 Zakat and income tax status**

The Company has filed its zakat returns with GAZT 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 GAZT. 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.

The income tax returns for subsidiary in 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 2020, 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.

**20.2 Zakat base**

As at the statement of financial position date, Zakat base was calculated based on the consolidated financial statements of the Group, as follows:

	<b>31 March 2020</b>	31 March 2019
Shareholders' equity and other payables	3,278,548,965	4,475,546,680
Adjusted net income	(30,252,613)	299,337,570
Deductions	(2,476,072,399)	(3,640,694,010)
	<u>772,223,953</u>	<u>1,134,190,240</u>
Zakat base		
<i>Zakat at 2.5% (higher of adjusted net income or Zakat base)</i>	<u><b>19,316,809</b></u>	<u>28,354,756</u>

**20.3 Zakat and income tax provision**

Movement in Zakat and income tax provision for the year is as follows:

	<b>31 March 2020</b>	31 March 2019
Balance at beginning of the year	38,198,206	43,295,348
Provision for zakat for the year	19,316,809	28,354,756
Prior year charge	19,433,891	9,754,661
Provision for tax for the year*	8,891,161	17,208,823
	<u>47,641,861</u>	<u>55,318,240</u>
	<u>85,840,067</u>	<u>98,613,588</u>
Payments made during the year	(75,037,913)	(60,415,382)
<b>Balance at end of the year</b>	<u><b>10,802,154</b></u>	<u>38,198,206</u>

\* Includes deferred tax charge / (reversal) of SR 0.9 million (2019: SR (1.6 million))

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**21. RELATED PARTY TRANSACTIONS AND BALANCES**

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

**21.1 Key management personnel compensation**

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

	<b>31 March 2020</b>	31 March 2019
Salaries and short-term benefits	<b>12,794,972</b>	10,566,934
Post-employment benefits	<b>2,179,582</b>	1,962,121
Board of Directors and board committees' remuneration and compensation	<b>2,359,000</b>	1,955,000
<b>Total key management compensation</b>	<b><u>17,333,554</u></b>	<u>14,484,055</u>

**21.2 Related party transactions**

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

<b>Related party transaction</b>	<b>Name of related party</b>	<b>Relationship</b>	<b>31 March 2020</b>	31 March 2019
lease payments / rental expense	Arabian Centres Company	Affiliate	<b>362,470,264</b>	423,523,886
Expenses paid on behalf	FAS Holding Company	Parent Company	<b>109,284,003</b>	59,003,037
Shop fits, design, and construction work	Fawaz Alhokair Real Estate	Affiliate	--	15,924,435
Payments made on behalf of Group	Food & Entertainment company	Affiliate	<b>17,049,746</b>	--
Payment made on behalf of	Al Farida Trading Agencies	Equity accounted investees	<b>1,218,056</b>	3,555,229
Purchase of goods	Wonderful Meals Co.	Affiliate	<b>20,236,283</b>	--
Printing and advertisement	Hajen Company Limited	Affiliate	<b>5,554,694</b>	4,418,051
Revenue	Shy7lo	Affiliate	<b>203,903</b>	2,818,433

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**21. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

**21.3 Related party balances**

Balances with related parties as at the year-end, in the normal course of business, are summarized below:

	<b>Nature of transaction with related party</b>	<b>Relationship</b>	<b>31 March 2020</b>	<b>31 March 2019</b>
<b><i>Due from related parties (note 14)</i></b>				
Food and Entertainment Company Limited	Other receivables	Affiliate	--	75,000,000
Saudi FAS Holding Company	Expenses paid on behalf of Company	Parent Company	<b>109,277,116</b>	59,003,037
Egyptian Centers for Real Estate Development	Rental	Affiliate	<b>84,322,156</b>	67,504,562
Amwal Al Khaleeja Al Oula	Management services	Equity accounted investee	<b>2,271,205</b>	2,271,205
Al Farida Trading Agencies	Services and payments	Equity accounted investee	<b>1,218,056</b>	64,940,639
Retail Cluster Pakistan	Services and payments	Equity accounted investee	--	18,487,115
Others	Revenue	Affiliate	--	2,818,433
			<b>197,088,533</b>	<b>290,024,991</b>
<b><i>Prepaid rentals (note 15)</i></b>				
Arabian Centers Company	Rentals	Affiliate	<b>14,146,401</b>	61,636,437
<b><i>Due to related parties (note 19)</i></b>				
Arabian Centers Company	Rentals	Affiliate	<b>(77,131,260)</b>	(35,894,410)
Food and Entertainment Company Limited	Payments made on behalf of Group	Affiliate	<b>(24,446,976)</b>	--
Wonderful Meals Co.	Purchase of goods	Affiliate	<b>(9,708,817)</b>	--
Hajen Company Limited	Printing and advertisement	Affiliate	<b>(2,666,348)</b>	(2,254,726)
			<b>(113,953,401)</b>	<b>(38,149,136)</b>

**22. SHARE CAPITAL**

The Company's shareholding as at 31 March 2020 and 31 March 2019 is as below:

	<b><u>No. of shares</u></b>	<b><u>Par value</u></b>	<b><u>Total</u></b>
Ordinary share capital	<b>210,000,000</b>	<b>10</b>	<b>2,100,000,000</b>

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**23. NON-CONTROLLING INTEREST (NCI)**

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 2020**

NCI percentage	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
Non-current assets	108,017,787	23,641,933	--	183,567,610	71,972,223		387,199,553
Current assets	59,514,343	53,809,115	2,163,710	30,144,743	16,500,548		162,132,459
Non-current liabilities	(81,319,707)	(12,501,084)	--	(116,948,957)	(44,863,068)		(255,632,816)
Current liabilities	(160,630,538)	(210,464,862)	(135,711,991)	(76,345,372)	(58,105,288)		(641,258,051)
<b>Net assets</b>	<b>(74,418,115)</b>	<b>(145,514,898)</b>	<b>(133,548,281)</b>	<b>20,418,024</b>	<b>(14,495,585)</b>		<b>(347,558,855)</b>
<b>Net assets attributable to NCI</b>	<b>(11,162,717)</b>	<b>(5,820,596)</b>	<b>(65,438,658)</b>	<b>6,125,407</b>	<b>(5,073,455)</b>	<b>(3,500,382)</b>	<b>(84,870,401)</b>
Revenue	192,190,100	123,505,120	10,177,971	25,112,920	7,795,600		358,781,711
Profit / (loss)	4,065,572	(12,372,681)	(37,008,302)	(4,721,107)	(14,467,501)		(64,504,019)
<b>Profit / (loss) allocated to NCI</b>	<b>609,836</b>	<b>(494,907)</b>	<b>(18,134,068)</b>	<b>(1,416,332)</b>	<b>(5,063,625)</b>	<b>(396,790)</b>	<b>(24,895,886)</b>

**31 March 2019**

NCI percentage	Retail Group Azerbaijan LLC 15%	Retail Group Armenia CJSC 4%	Models Own Holding Limited 49%	Other non- material subsidiaries	Total
Non-current assets	37,851,107	19,934,954	9,706,844		67,492,905
Current assets	76,187,628	80,354,056	28,333,444		184,875,128
Non-current liabilities	--	--	--		--
Current liabilities	(186,212,586)	(233,227,193)	(134,580,267)		(554,020,046)
<b>Net assets</b>	<b>(72,173,851)</b>	<b>(132,938,183)</b>	<b>(96,539,979)</b>		<b>(301,652,013)</b>
<b>Net assets attributable to NCI</b>	<b>(10,826,078)</b>	<b>(5,317,527)</b>	<b>(47,304,590)</b>	<b>(3,174,422)</b>	<b>(66,622,617)</b>
Revenue	179,601,092	127,908,830	10,213,133		317,723,055
Profit / (loss)	9,635,459	(2,778,107)	(15,539,870)		(8,682,518)
<b>Profit / (loss) allocated to NCI</b>	<b>1,445,319</b>	<b>(111,124)</b>	<b>(7,614,537)</b>	<b>(417,210)</b>	<b>(6,697,552)</b>

\*These subsidiaries are owned through a wholly owned subsidiary of the Group, Innovative Union Company.

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**24. REVENUE**

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

**31 March 2020**

	<b>Kingdom of Saudi Arabia</b>	<b>CIS countries</b>	<b>USA and others</b>	<b>Total</b>
<b>Fashion Retail</b>				
Apparels	3,759,026,495	522,907,603	212,627,896	4,494,561,994
Footwear & Accessories	376,330,024	38,884,271	89,348,475	504,562,770
Others	190,421,592	8,917,430	16,337,244	215,676,266
<b>Food &amp; Beverages</b>	52,759,775	--	--	52,759,775
<b>Indoor entertainment</b>	--	--	74,228,412	74,228,412
<b>Total</b>	<u>4,378,537,886</u>	<u>570,709,304</u>	<u>392,542,027</u>	<u>5,341,789,217</u>

**31 March 2019**

	<b>Kingdom of Saudi Arabia</b>	<b>CIS countries</b>	<b>USA and others</b>	<b>Total</b>
<b>Fashion Retail</b>				
Apparels	3,878,316,164	484,438,939	217,449,318	4,580,204,421
Footwear & Accessories	398,121,660	23,565,187	108,516,592	530,203,439
Others	197,641,316	14,427,769	80,792,352	292,861,437
<b>Indoor entertainment</b>	--	--	22,533,371	22,533,371
<b>Total</b>	<u>4,474,079,140</u>	<u>522,431,895</u>	<u>429,291,633</u>	<u>5,425,802,668</u>

**25. COST OF REVENUE**

	<b><u>2020</u></b>	<b><u>2019</u></b>
Cost of goods (note 25.1)	3,491,475,748	2,965,457,250
Employees' salaries and benefits	671,569,803	569,954,071
Depreciation on right-of-use asset (note 9)	588,031,437	--
Rent expense (note 9)	53,820,371	704,712,261
Utilities and maintenance	67,683,447	34,718,233
Advertisement	16,008,407	4,938,768
Travelling	3,244,699	6,435,250
Others	42,109,951	55,089,937
	<u>4,933,943,863</u>	<u>4,341,305,770</u>

- 25.1** During the year, inventories have been reduced by SR 329 million as a result of write-down to net realizable value and were recognised directly as an expense and not routed through inventory provision account.

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**26. SELLING AND DISTRIBUTION EXPENSES**

	<u>2020</u>	<u>2019</u>
Employees' salaries and benefits	77,363,256	109,409,059
Advertising and promotions	15,228,766	1,670,579
Utilities and maintenance	11,624,379	6,095,438
Bank charges	6,612,998	8,979,546
Travel	8,819,632	8,534,412
Freight and distribution charges	5,475,608	4,381,998
Rent expense (note 9)	4,440,955	32,403,054
Others	8,895,453	8,854,530
	<u>138,461,047</u>	<u>180,328,616</u>

**27. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>2020</u>	<u>2019</u>
Employees' salaries and benefits	103,314,516	128,737,097
Bank charges	38,320,141	35,288,568
Travel and communication	10,167,327	8,634,249
Insurance	8,696,521	6,086,358
Government fees and related charges	5,751,576	3,150,569
Utilities and maintenance	4,304,957	7,284,276
Stationery and supplies	4,213,019	3,881,533
Advertising and publishing	--	4,456,699
Rent (note 9)	6,972,873	50,410,273
Others	36,144,502	30,552,638
	<u>217,885,432</u>	<u>278,482,260</u>

**28. OTHER OPERATING EXPENSE AND INCOME**

<b>a) Expense</b>	<u>2020</u>	<u>2019</u>
Store closure losses*	42,510,484	14,755,180
Loss on disposal of property and equipment	6,934,082	--
	<u>49,444,566</u>	<u>14,755,180</u>
<b>b) Income</b>	<u>2020</u>	<u>2019</u>
Gain on disposal of investment property (note 11)	144,497,726	--
Rental concession for leases (note 9)	52,527,936	--
Gain on lease termination (note 9)	7,772,066	--
Foreign exchange gain, net	4,473,179	15,961,744
Gain on disposal of property and equipment	--	24,806,441
Rental income on investment property	--	15,000,000
Others	7,938,438	38,079,342
	<u>217,209,345</u>	<u>93,847,527</u>

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

**29. FINANCE COSTS**

	<u>2020</u>	<u>2019</u>
Financial charges on borrowings		
- Long term borrowings	143,099,107	159,690,698
- Short term borrowings	26,473,530	22,056,481
Amortisation of upfront fees	34,409,185	19,190,881
	<u>203,981,822</u>	<u>200,938,060</u>

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**30. FINANCIAL INSTRUMENTS FAIR VALUES AND RISK MANAGEMENT**

**30.1 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.

<u>31 March 2020</u>	<u>Carrying amount</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<b>Financial assets measured at fair value</b>					
<b>Equity investments at fair value through profit or loss</b>					
Al Mubarak Real Estate Income Fund –II	<u>200,000,000</u>	<u>--</u>	<u>--</u>	<u>200,000,000</u>	<u>200,000,000</u>

The fund is a private closed ended real estate investment fund and the Group acquired its units on 16 December 2019. As the fund is registered recently and the net asset value (NAV) is not available as at 31 March 2020, cost has been considered as an approximation of the fair value.

<u>31 March 2019</u>	<u>Carrying amount</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<b>Financial assets measured at fair value</b>					
<b>Equity investments at fair value through OCI</b>					
Trade Center Co. Ltd.	<u>255,041,800</u>	<u>--</u>	<u>--</u>	<u>255,041,800</u>	<u>255,041,800</u>

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

<b>Type</b>	<b>Valuation technique and significant unobservable inputs</b>
Trade Center Co. Ltd.	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.
(Equity securities)	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>

**Financial Liabilities**

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

**30.2 Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk



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

**30.3 Financial risk management (continued)**

**i) Risk Management Framework**

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

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

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

**ii) Credit risk**

Credit risk is the risk that 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:

	<b>31 March 2020</b>	31 March 2019
Cash at bank	<b>679,808,231</b>	500,421,060
Advances, deposits and other receivables	<b>346,380,988</b>	356,259,259
Receivable from disposal of a subsidiary and brands	<b>150,000,000</b>	279,454,285
	<b><u>1,176,189,219</u></b>	<u>1,136,134,604</u>

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:

	<b>31 March 2020</b>	31 March 2019
Opening balance	<b>21,132,032</b>	18,549,545
Impairment charge during the year*	--	2,582,487
Write off	<b>(21,132,032)</b>	--
Closing balance	<b><u>--</u></b>	<u>21,132,032</u>

\* During the year, the Group has recorded an impairment loss of SR 50.5 million on other receivables and has been presented in the statement of profit or loss.

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

**30.3 Financial risk management (continued)**

**iii) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Group's future commitments. Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted and include estimated interest payments.

**31 March 2020**

		<i>Contractual cash flow</i>		
	<i>Carrying amount</i>	<i>Less than 1 year</i>	<i>1 year to 5 years</i>	<i>More than 5 years</i>
<b>Liabilities</b>				
Lease liabilities	4,257,952,319	863,198,232	2,951,020,090	1,550,140,477
Loans and borrowings	2,983,058,081	578,886,845	1,945,134,975	767,712,557
Short term borrowings	200,411,571	208,416,730	--	--
Trade and other payables	472,622,846	472,622,846	--	--
<b>TOTAL</b>	<b>7,914,044,817</b>	<b>2,123,124,653</b>	<b>4,896,155,065</b>	<b>2,317,853,034</b>

**31 March 2019**

		<i>Contractual cash flow</i>		
	<i>Carrying amount</i>	<i>Less than 1 year</i>	<i>1 year to 5 years</i>	<i>More than 5 years</i>
<b>Liabilities</b>				
Loans and borrowings	2,565,398,570	493,054,446	2,107,018,038	119,250,000
Short term borrowings	296,772,888	299,304,425	--	--
Trade and other payables	671,635,280	671,635,280	--	--
<b>TOTAL</b>	<b>3,533,806,738</b>	<b>1,463,994,151</b>	<b>2,107,018,038</b>	<b>119,250,000</b>

**iv) Market risk**

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

<i>Foreign currency exposures</i>	<b>31 March 2020</b>	<b>31 March 2019</b>
Euro	(25,983,060)	(43,937,767)
United States Dollar	(39,457,561)	(72,860,980)
Great Britain Pound	(659,879)	(6,187,225)
United Arab Emirates Dirham	587,499	36,524,970
Egyptian Pound	354,727,005	312,923,865

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

**30.3 Financial risk management (continued)**

*Sensitivity Analysis*

The table below shows the non-pegged currencies to which the Group has a significant exposure as at 31 March 2020 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.

<i>Foreign currency</i>	<i>Change in currency</i>	<b>Currency movement vs. Saudi Riyal (SR)</b>			
		<b>31 March 2020</b>		<b>31 March 2019</b>	
		<b>Upward</b>	<b>Downward</b>	<b>Upward</b>	<b>Downward</b>
Euro	+/- 10%	<b>(10,743,000)</b>	<b>10,743,000</b>	(18,460,000)	18,460,000
Great Britain Pound	+/- 10%	<b>(307,000)</b>	<b>307,000</b>	(3,018,000)	3,018,000
United Arab Emirates Dirham	+/- 10%	<b>60,104</b>	<b>(60,104)</b>	3,724,035	(3,724,035)
Egyptian Pound	+/- 10%	<b>8,447,000</b>	<b>(8,447,000)</b>	6,750,000	(6,750,000)
		<b><u>(2,542,896)</u></b>	<b><u>2,542,896</u></b>	<b><u>(11,003,965)</u></b>	<b><u>11,003,965</u></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 3,182 million at 31 March 2020 (2019: SR 2,862 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.

		<b>Increase / decrease in basis points of commission rates</b>	<b>Effect on income for the year</b>
<b>31 March 2020</b>	<b>SAR</b>	<b>+30</b>	<b>(7,421,963)</b>
	<b>SAR</b>	<b>-30</b>	<b>7,421,963</b>
<b>31 March 2019</b>	<b>SAR</b>	<b>+30</b>	<b>(7,417,000)</b>
	<b>SAR</b>	<b>-30</b>	<b>7,417,000</b>

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**31. OPERATING SEGMENTS**

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

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

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

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

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

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

	<i><b>Domestic</b></i>	<i><b>International</b></i>	<i><b>Inter- segment elimination</b></i>	<i><b>Total</b></i>
<b>As at 31 March 2020</b>	<u><b>SR '000</b></u>	<u><b>SR '000</b></u>	<u><b>SR'000</b></u>	<u><b>SR'000</b></u>
<b>Non-current assets</b>	7,675,777	847,145	(1,560,641)	6,962,281
<b>Current assets</b>	3,978,020	477,438	(1,399,669)	3,055,789
<b>Total liabilities</b>	7,576,691	2,385,377	(1,473,692)	8,488,376
<b>As at 31 March 2019</b>				
Non-current assets	3,230,716	323,083	(400,624)	3,153,175
Current assets	4,501,629	643,997	(1,591,617)	3,554,009
Total liabilities	3,919,898	1,856,215	(1,479,806)	4,296,307
	<i><b>Domestic</b></i>	<i><b>International</b></i>	<i><b>Inter- segment elimination</b></i>	<i><b>Total</b></i>
<b>For the year ended 31 March 2020</b>	<u><b>SR '000</b></u>	<u><b>SR '000</b></u>	<u><b>SR'000</b></u>	<u><b>SR'000</b></u>
<b>Sales</b>	4,378,538	980,184	(16,933)	5,341,789
<b>Depreciation and amortization</b>	(128,424)	(167,095)	--	(295,519)
<b>Finance charges</b>	(399,058)	(52,454)	--	(451,512)
<b>Net loss</b>	(595,481)	(85,180)	(492)	(681,153)
<b>For the year ended 31 March 2019</b>				
Sales	4,474,079	1,001,573	(49,849)	5,425,803
Depreciation and amortization	(214,946)	(74,940)	--	(289,886)
Finance charges	(200,013)	(925)	--	(200,938)
Net profit / (loss)	210,671	(72,670)	49	138,050

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**31. OPERATING SEGMENTS (CONTINUED)**

	<i><u>Fashion retail SR '000</u></i>	<i><u>Indoor entertainment SR '000</u></i>	<i><u>Food and Beverages SR '000</u></i>	<i><u>Inter- segment elimination SR'000</u></i>	<i><u>Total SR'000</u></i>
<b>As at 31 March 2020</b>					
<b>Non-current assets</b>	<b>6,270,339</b>	<b>230,685</b>	<b>461,257</b>	<b>--</b>	<b>6,962,281</b>
<b>Current assets</b>	<b>2,959,633</b>	<b>7,318</b>	<b>88,838</b>	<b>--</b>	<b>3,055,789</b>
<b>Total liabilities</b>	<b>7,887,775</b>	<b>170,761</b>	<b>429,840</b>	<b>--</b>	<b>8,488,376</b>
<b>As at 31 March 2019</b>					
Non-current assets	3,118,944	34,231	--	--	3,153,175
Current assets	3,551,899	2,110	--	--	3,554,009
Total liabilities	4,286,520	9,787	--	--	4,296,307
<b>For the year ended 31 March 2020</b>					
<b>Sales</b>	<b>5,214,801</b>	<b>74,228</b>	<b>52,760</b>	<b>--</b>	<b>5,341,789</b>
<b>Depreciation and amortization</b>	<b>(233,301)</b>	<b>(41,162)</b>	<b>(21,056)</b>	<b>--</b>	<b>(295,519)</b>
<b>Finance charges</b>	<b>(442,739)</b>	<b>(5,818)</b>	<b>(2,955)</b>	<b>--</b>	<b>(451,512)</b>
<b>Net loss</b>	<b>(646,827)</b>	<b>(15,299)</b>	<b>(19,027)</b>	<b>--</b>	<b>(681,153)</b>
<b>For the year ended 31 March 2019</b>					
Sales	5,403,270	22,533	--	--	5,425,803
Depreciation and amortization	(285,146)	(4,740)	--	--	(289,886)
Finance charges	(200,938)	-	--	--	(200,938)
Net profit	137,618	432	--	--	138,050

**32. RECEIVABLE FROM DISPOSAL OF SUBSIDIARIES**

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

**Non-Current Portion:**

	<i><u>Note</u></i>	<i><u>2020</u></i>	<i><u>2019</u></i>
Receivable in respect of sale of Global Levia and its subsidiaries	32.2	<u>75,000,000</u>	<u>75,000,000</u>
		<u>75,000,000</u>	<u>75,000,000</u>

**Current Portion:**

	<i><u>Note</u></i>	<i><u>2020</u></i>	<i><u>2019</u></i>
Receivable in respect of sale of Global Levia and its subsidiaries	32.2	75,000,000	150,000,000
Receivable in respect of sale of Al Farida Trading Agencies Company	32.1	--	13,908,062
Al Waheeda Equipment General Trading FZCO	32.1	--	40,546,223
		<u>75,000,000</u>	<u>204,454,285</u>

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**32. RECEIVABLE FROM DISPOSAL OF SUBSIDIARIES (CONTINUED)**

**32.1** During the year ended 31 March 2019, pursuant to the decision of the Board of Directors, the Group entered in to agreement with a third party to sell its 35% and 51% shares in its subsidiaries Al Farida Trading Agencies Company and the Al Waheeda Equipment General Trading FZCO collectively known as (“the Disposed Entities”. As per the terms of the sale purchase agreement dated 18 March 2019 for a total consideration of SR 55 million. Pursuant to the agreement, management rights have been transferred by the Group and accordingly, the Group has lost its power to direct the relevant activities of the Disposed Entities. The receivable has been transferred against the settlement of purchase consideration for acquisition of a subsidiary. Refer note 33.

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

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

During the year ended 31 March 2020, with respect to the second installment of SR 75 million has been transferred against the settlement of purchase consideration for acquisition of a subsidiary. Refer note 33.

**33. ACQUISITION OF A SUBSIDIARY**

On 23 January 2020, 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, Seattles 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.

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**33. ACQUISITION OF A SUBSIDIARY (CONTINUED)**

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.

	<u>Amount</u>
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
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>Net assets acquired</b>	<u>140,383,641</u>
Share of Non-controlling interest	<u>(8,210,674)</u>
<b>Group's share of net assets acquired</b>	<u>132,172,967</u>
Consideration for acquisition (note a)	<u>340,000,000</u>
<b>Goodwill on acquisition</b>	<u>207,827,033</u>

- a) The following table summarises the acquisition date value of consideration transferred for acquisition.

	<u>Amount</u>
Other receivables (note 14)	157,681,478
Receivable from disposal of subsidiaries (note 32)	129,454,285
Investment in associates (note 12)	52,864,237
	<u>340,000,000</u>

**34. COMMITMENTS AND CONTINGENCIES**

**34.1 Commitments**

At 31 March 2020, the Group commitments of SR 123.5 million (31 March 2019: SAR 99 million) relating to capital expenditures.

**34.2 Contingent liabilities**

At 31 March 2020, the Group has outstanding bank letter of credits of SR 659 million (2019: SR 584 million) issued against certain purchase of retail trading inventory.

At 31 March 2020, the Group has outstanding bank guarantees of SR 485 million (2019: SR 413 million) issued by the local and foreign banks in respect of bid bonds, contracts advance payments and performance bonds.

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**35. CAPITAL MANAGEMENT**

The Group's policy is to maintain a strong capital base to maintain stakeholder confidence as well as to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to ordinary shareholders.

The board of directors seeks to maintain a balance between higher returns and the advantages and security afforded by a sound base. The Group's target is to achieve a return on capital above 15%.

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares. The Group also monitors capital using a gearing ratio, which is calculated as total liabilities (as shown in the statement of financial position) less lease liabilities and cash and cash equivalent. Equity comprises all components of equity. The gearing ratio as at 31 March 2020 31 March 2019 is as follows:

	<b>31 March 2020</b>	31 March 2019
Total liabilities	<b>8,488,375,682</b>	4,296,306,901
Less: lease liabilities	<b>(4,257,952,319)</b>	--
Less: cash and cash equivalents	<b>(686,455,380)</b>	(516,394,140)
	<b><u>3,543,967,983</u></b>	<u>3,779,912,761</u>
 Total equity	 <b><u>1,529,694,084</u></b>	 <u>2,410,876,517</u>
<b>Net debt to equity ratio</b>	<b><u>2.31</u></b>	<u>1.57</u>

**36. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

A number of new standards and amendments are effective for annual periods beginning on or after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial Statements.

The following amended standards and interpretations are not yet effective and neither expected to have a significant impact on the Group's Financial Statements:

- a) Amendments to References to Conceptual Framework in IFRS standards.
- b) Definition of a Business (Amendments to IFRS 3).
- c) Definition of Material (Amendments to IAS 1 and IAS 8).
- d) IFRS -17 Insurance Contracts

**37. IMPACT OF COVID-19**

During March 2020, the World Health Organization ("WHO") declared the Coronavirus ("COVID 19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the group operations in all geographies. In response to the spread of COVID-19 and its resulting disruptions to the social and economic activities, management has also taken a series of preventive measures to ensure the health and safety of its employees as well as to ensure the continuity of its operations. This includes but is not limited to cost-saving initiatives, such as rental concession on leased stores, negotiating delayed payment to brand partners, enrolling in government support initiatives for employees, reducing international travel expenditure and curtailment of capital expenditure.



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**37. IMPACT OF COVID-19 (CONTINUED)**

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 2020 - 21.

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

**38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Board of Directors for issuance on 17 Dhul Qi'dah 1441H (corresponding to 8 July 2020).