

**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**Condensed consolidated interim financial statements**  
(unaudited)  
**For the three and nine month periods ended 31 December 2020**  
together with the  
**Independent Auditor's Review Report**

**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the nine month period ended 31 December 2020**

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

To the Shareholders of Fawaz Abdulaziz AlHokair & Co.

## Introduction

We have reviewed the accompanying 31 December 2020 condensed consolidated interim financial statements of **Fawaz Abdulaziz AlHokair & Co.** ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprises:

- the condensed consolidated statement of financial position as at 31 December 2020;
- the condensed consolidated statement of profit or loss for the three-month and nine-month periods ended 31 December 2020;
- the condensed consolidated statement of comprehensive income for the three-month and nine-month periods ended 31 December 2020;
- the condensed consolidated statement of changes in equity for the nine-month period ended 31 December 2020;
- the condensed consolidated statement of cash flows for the nine-month period ended 31 December 2020; and
- the notes to the condensed consolidated interim financial statements.

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

## Scope of review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 December 2020 condensed consolidated interim financial statements of **Fawaz Abdulaziz AlHokair & Co.** and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners  
Certified Public Accountants

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

Date: 27 Jumada Al Akhirah 1442H  
Corresponding to: 9 February 2021



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

	<u>Notes</u>	<b>31 December 2020 (Unaudited)</b>	<b>31 March 2020 (Audited)</b>
<b>Assets</b>			
Property and equipment		1,379,574,979	1,514,310,454
Right of use assets		3,618,347,196	4,058,005,277
Goodwill and intangible assets		1,065,371,020	1,079,535,759
Investment property		3,516,928	3,516,928
Investments in associates	7	18,282,324	31,912,752
Other investments	7	200,000,000	200,000,000
Receivable from disposal of subsidiaries	16	—	75,000,000
<b>Non-current assets</b>		<b>6,285,092,447</b>	<b>6,962,281,170</b>
Inventories		1,108,395,155	1,655,553,242
Advances, deposits and other receivable		579,200,371	570,309,960
Prepayments, rentals and insurance		25,521,901	68,470,014
Receivable from disposal of subsidiaries	16	75,000,000	75,000,000
Cash and bank balances		585,433,254	686,455,380
<b>Current assets</b>		<b>2,373,550,681</b>	<b>3,055,788,596</b>
<b>Total assets</b>		<b>8,658,643,128</b>	<b>10,018,069,766</b>
<b>Equity</b>			
Share capital	8	2,100,000,000	2,100,000,000
Statutory reserve		205,816,329	205,816,329
Foreign currency translation reserve		(564,423,455)	(579,002,031)
Other reserve		(920,879)	—
Accumulated losses		(865,129,833)	(112,249,813)
<b>Equity attributable to the shareholders of the Company</b>		<b>875,342,162</b>	<b>1,614,564,485</b>
Non-controlling interests		(94,538,623)	(84,870,401)
<b>Total equity</b>		<b>780,803,539</b>	<b>1,529,694,084</b>
<b>Liabilities</b>			
Loans and borrowings	9	2,364,608,758	2,423,747,120
Lease liabilities		2,958,819,652	3,611,204,334
Employee benefits		97,000,502	101,618,395
<b>Non-current liabilities</b>		<b>5,420,428,912</b>	<b>6,136,569,849</b>
Loans and borrowings	9	755,430,183	759,722,532
Lease liabilities		905,330,758	646,747,985
Zakat and tax liabilities		46,110,994	10,802,154
Trade payables		317,722,238	472,622,846
Accruals and other liabilities		432,816,504	461,910,316
<b>Current liabilities</b>		<b>2,457,410,677</b>	<b>2,351,805,833</b>
<b>Total liabilities</b>		<b>7,877,839,589</b>	<b>8,488,375,682</b>
<b>Total equity and liabilities</b>		<b>8,658,643,128</b>	<b>10,018,069,766</b>

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

  
Ahmed Albelbesy  
Chief Financial Officer

  
Marwan Moukarzel  
Chief Executive Officer

  
Fawaz Abdulaziz Alhokair  
Chairman

**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
For the three and nine month periods ended 31 December 2020  
(All amounts in Saudi Riyals unless otherwise stated)


		Three month ended 31 December 2020 (Unaudited)	Three month ended 31 December 2019 (Unaudited)	Nine month ended 31 December 2020 (Unaudited)	Nine month ended 31 December 2019 (Unaudited)
	<i>Note</i>				
Revenue	12	1,349,705,074	1,289,776,782	3,100,255,835	4,256,760,288
Cost of revenue	13	(1,192,260,285)	(1,031,533,747)	(3,133,672,820)	(3,307,723,918)
<b>Gross profit / (loss)</b>		<b>157,444,789</b>	<b>258,243,035</b>	<b>(33,416,985)</b>	<b>949,036,370</b>
Selling and distribution expenses		(28,385,906)	(51,209,342)	(109,190,482)	(118,266,208)
General and administrative expenses		(87,737,194)	(33,817,042)	(206,640,830)	(118,152,478)
Depreciation and amortization		(73,693,688)	(71,079,669)	(227,718,417)	(205,493,196)
Reversal /(loss) of impairment on other receivables		10,000,000	(32,000,000)	(18,500,000)	(32,000,000)
Other operating expenses	14	(19,401,406)	(5,514,050)	(71,043,864)	(51,471,036)
Other operating income	14	23,822,555	87,559,812	232,219,819	183,593,454
<b>Operating (loss) / profit</b>		<b>(17,950,850)</b>	<b>152,182,744</b>	<b>(434,290,759)</b>	<b>607,246,906</b>
Finance costs – Loans and borrowings		(37,041,782)	(44,123,101)	(109,512,199)	(141,364,321)
Finance costs – Lease liability		(45,936,780)	(59,830,959)	(165,383,393)	(196,668,037)
Share of loss from investment in associate		(1,136,105)	–	(1,136,105)	–
<b>(Loss) / profit before zakat and income tax</b>		<b>(102,065,517)</b>	<b>48,228,684</b>	<b>(710,322,456)</b>	<b>269,214,548</b>
Zakat and income tax expense		(26,053,855)	(12,163,121)	(51,585,089)	(34,931,087)
<b>(Loss) / profit for the period</b>		<b>(128,119,372)</b>	<b>36,065,563</b>	<b>(761,907,545)</b>	<b>234,283,461</b>
<b>(Loss) / profit attributable to:</b>					
Shareholders of the Company		(128,561,936)	34,474,181	(752,880,020)	231,305,246
Non-controlling interests		442,564	1,591,382	(9,027,525)	2,978,215
		<b>(128,119,372)</b>	<b>36,065,563</b>	<b>(761,907,545)</b>	<b>234,283,461</b>
<b>(Loss) / earnings per share</b>					
Basic and diluted (loss) / earnings per share (Saudi Riyal)	10	(0.61)	0.16	(3.59)	1.10

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

**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the three and nine month periods ended 31 December 2020  
(All amounts in Saudi Riyals unless otherwise stated)

	Three month ended 31 December 2020 (Unaudited)	Three month ended 31 December 2019 (Unaudited)	Nine month ended 31 December 2020 (Unaudited)	Nine month ended 31 December 2019 (Unaudited)
(Loss) / profit for the period	(128,119,372)	36,065,563	(761,907,545)	234,283,461
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Foreign Operations – foreign currency translation differences	2,848,811	1,434,707	14,600,940	(9,273,742)
	<u>2,848,811</u>	<u>1,434,707</u>	<u>14,600,940</u>	<u>(9,273,742)</u>
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Equity investments at FVOCI – net change in fair value	--	--	--	(31,361,800)
	<u>--</u>	<u>--</u>	<u>--</u>	<u>(31,361,800)</u>
Other comprehensive (loss) / income for the period	<u>2,848,811</u>	<u>1,434,707</u>	<u>14,600,940</u>	<u>(40,635,542)</u>
Total comprehensive (loss) / income for the period	<u>(125,270,561)</u>	<u>37,500,270</u>	<u>(747,306,605)</u>	<u>193,647,919</u>
Total comprehensive (loss) / income for the period attributable to:				
Shareholders of the Company	(126,365,246)	35,952,388	(738,301,444)	190,498,236
Non-controlling interests	1,094,685	1,547,882	(9,005,161)	3,149,683
	<u>(125,270,561)</u>	<u>37,500,270</u>	<u>(747,306,605)</u>	<u>193,647,919</u>

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





**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the nine month period ended 31 December 2020  
(All amounts in Saudi Riyals unless otherwise stated)

	Equity attributable to Shareholders of the Company						Total shareholders' equity attributable to company's shareholder	Non-controlling interests	Total equity
	Share capital	Statutory reserve	Foreign currency translation reserve	Fair value reserve	Other reserve	Retained earnings			
Balance at 1 April 2019 (Audited)	2,100,000,000	205,816,329	(613,274,765)	161,041,800	--	623,915,770	2,477,499,134	(66,622,617)	2,410,876,517
<i>Total comprehensive income / (loss) for the period</i>	--	--	--	--	--	--	--	--	--
Profit for the period	--	--	--	--	--	231,305,246	231,305,246	2,978,215	234,283,461
Other comprehensive (loss) / income	--	--	(9,445,210)	(31,361,800)	--	--	(40,807,010)	171,468	(40,635,542)
Total comprehensive (loss) / income for the period	--	--	(9,445,210)	(31,361,800)	--	231,305,246	190,498,236	3,149,683	193,647,919
Transfer to retained earnings	--	--	--	(129,680,000)	--	129,680,000	--	--	--
Balance at 31 December 2019 (Unaudited)	2,100,000,000	205,816,329	(622,719,975)	--	--	984,901,016	2,667,997,370	(63,472,934)	2,604,524,436
Balance at 1 April 2020 (Audited)	2,100,000,000	205,816,329	(579,002,031)	--	--	(112,249,813)	1,614,564,485	(84,870,401)	1,529,694,084
<i>Total comprehensive income / (loss) for the period</i>	--	--	--	--	(920,879)	--	(920,879)	(663,061)	(1,583,940)
Acquisition of non-controlling interest	--	--	--	--	--	(752,880,020)	(752,880,020)	(9,027,525)	(761,907,545)
Loss for the period	--	--	--	--	--	--	14,578,576	22,364	14,600,940
Other comprehensive income	--	--	14,578,576	--	--	--	--	--	--
Total comprehensive (loss) / income for the period	--	--	14,578,576	--	--	(752,880,020)	(738,301,444)	(9,005,161)	(747,306,605)
Balance at 31 December 2020 (Unaudited)	2,100,000,000	205,816,329	(564,423,455)	--	(920,879)	(865,129,833)	875,342,162	(94,538,623)	780,803,539

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





**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
**(A Saudi Joint Stock Company)**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the nine month period ended 31 December 2020**  
**(All amounts in Saudi Riyals unless otherwise stated)**

	Nine month ended 31 December 2020 (Unaudited)	Nine month ended 31 December 2019 (Unaudited)
<b>Cash Flows from Operating Activities:</b>		
(Loss)/Profit for the period	(761,907,545)	234,283,461
<i>Adjustments for:</i>		
Depreciation and amortization	678,410,639	662,678,465
Employee benefits	13,364,775	18,738,027
Provision for inventory shrinkage and slow moving inventory, net	(183,419,605)	46,520,168
Loss on equity accounted investees written-off and sale	4,630,428	29,378,096
Impairment of advances, deposits and other receivables	18,500,000	32,000,000
Loss on disposal of property and equipment and other intangibles	28,860,429	40,960,567
Zakat and income tax charge	51,585,089	34,931,087
Finance cost – Loans and borrowings	109,512,199	141,364,321
Finance cost – Lease liability	165,383,393	196,668,037
Concession on lease liability	(191,358,065)	--
Gain on disposal of investment property	--	(144,497,461)
Gain on termination of lease liabilities	(26,911,971)	(11,845,546)
	<u>(93,350,234)</u>	<u>1,281,179,222</u>
<i>Change in:</i>		
Advances, deposits and other receivables	58,561,589	28,945,557
Prepayments, rentals and insurance	44,785,188	129,311,600
Inventories	730,577,691	(147,912,456)
Trade payables	(154,900,608)	(302,515,287)
Accruals and other liabilities	(78,123,041)	(127,543,656)
<b>Cash generated from operating activities</b>	<u>507,550,585</u>	<u>861,464,980</u>
Zakat and income tax paid	(16,276,249)	(61,857,345)
Employees benefits paid	(17,982,666)	(10,101,767)
<b>Net cash from operating activities</b>	<u>473,291,670</u>	<u>789,505,868</u>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of property and equipment	(113,542,155)	(142,049,821)
Purchase of other intangible assets	(9,106,319)	(3,734,143)
Proceeds from disposal of share in investment	--	135,872,793
Acquisition of NCI in a subsidiary	(1,583,902)	--
Proceeds from disposal of property and equipment	--	193,688,222
Proceeds from disposal of intangible assets	17,840	11,909
<b>Net cash from / (used) in investing activities</b>	<u>(124,214,536)</u>	<u>183,788,960</u>
<b>Cash Flows from Financing Activities:</b>		
Long term borrowings repaid during the period	--	(471,761,414)
Proceeds from short term borrowings	--	161,523,918
Short-term borrowings repaid during the period	(65,267,786)	(18,877,835)
Lease liability paid - Principal	(172,902,989)	(371,614,649)
Lease liability paid – Finance cost	(165,383,393)	(165,144,518)
Finance cost paid	(60,482,972)	(168,134,800)
<b>Net cash used in financing activities</b>	<u>(464,037,140)</u>	<u>(1,034,009,298)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(114,960,006)</u>	<u>(60,714,470)</u>
Foreign currency exchange translation differences	13,937,880	(9,273,742)
Cash and cash equivalents – opening balance	686,455,380	516,394,140
<b>Cash and cash equivalents – ending balance</b>	<u>585,433,254</u>	<u>446,405,928</u>
<b>Significant non-cash transactions:</b>		
- Held for sale assets / other receivables, investment	--	340,000,000
- Termination of leases / right-of-use assets	283,422,707	330,995,434

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



**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the nine month period ended 31 December 2020**  
(All amounts in Saudi Riyals unless otherwise stated)

**1. REPORTING ENTITY**

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

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

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

**2. GROUP STRUCTURE**

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

<u><b>Subsidiaries</b></u>	<u><b>Country of incorporation</b></u>	<u><b>Ownership % held by the Group as at:</b></u>	
		<u><b>31 December 2020</b></u>	<u><b>31 March 2020</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	100
Food Gate Company	Kingdom of Saudi Arabia	70	70
Azal Restaurants Company	Kingdom of Saudi Arabia	65	65
First Pizza Company	Kingdom of Saudi Arabia	51	51
Logistics Fashion Trading DWC-LLC	United Arab Emirates	100	100
Advanced Fashion Concepts LLC	United Arab Emirates	100	100
International Fashion Franchising Limited	United Arab Emirates	100	100
Fashion Retail Kazakhstan LLP	Republic of Kazakhstan	100	100
Global Apparel Kazakhstan LLP	Republic of Kazakhstan	100	100
Retail Group Georgia LLC	Georgia	100	100

**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the nine month period ended 31 December 2020**  
(All amounts in Saudi Riyals unless otherwise stated)

**2. GROUP STRUCTURE (CONTINUED)**

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

**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the nine month period ended 31 December 2020**  
(All amounts in Saudi Riyals unless otherwise stated)

**2. GROUP STRUCTURE (CONTINUED)**

In addition to the above, the Group, directly and indirectly, owns certain dormant subsidiaries and special purpose vehicles across several countries, which are not material to the Group.

The principal activities of all of the above subsidiary companies are wholesale and retail trading of fashion apparels and providing indoor entertainment facilities for kids. The indirect shareholding represents cross ownership among the subsidiary companies.

**3. BASIS OF ACCOUNTING**

**3.1 Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") and should be read in conjunction with the Group's last annual Consolidated Financial Statements as at and for the year ended 31 March 2020 ("last annual Financial Statements"). These condensed consolidated interim financial statements do not include all of the information required for a complete set of IFRS Financial Statements however; selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual Financial Statements.

The condensed consolidated interim financial statements were approved by the Board of Directors for issuance on 27 Jumada Al Akhirah 1442H (corresponding to 9 February 2021).

**3.2 Preparation of financial statements**

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

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

**3.3 Use of judgments and estimates**

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

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

**4. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's annual consolidated financial statements as at and for the year ended 31 March 2020. Certain comparative figures have been reclassified to conform to current period's presentation.

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

*Amendments to Standards*

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

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

*Standards and pronouncements issued and not yet effective*

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

- Onerous contracts – cost of fulfilling a contract (Amendments to IAS 37)
- Annual improvements to IFRS standards 2018 – 2020
- Property, plant and equipment: Proceeds before intended use (Amendments to IAS 16)
- Reference to conceptual framework (Amendments to IFRS 3)
- Classification of liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts.

**6. INTERIM RESULTS**

The operations and revenues of the Group are affected by seasonal changes during the year. Therefore, the results of operations for the three and nine-month period ended 31 December 2020, may not provide an accurate indication of the actual results for the full year.

**7. INVESTMENTS IN ASSOCIATES AND OTHERS**

	<i>Ownership %</i>	<i>Country of incorporation</i>	<b>31 December 2020 (Unaudited)</b>	<b>31 March 2020 (Audited)</b>
<b>Investment in associates:</b>				
Investate Harbour Land	9.3	Cayman Islands	16,495,421	16,495,421
Burberry Saudi Co. Ltd. (Note a)	25	Kingdom of Saudi Arabia	--	12,494,323
FG4 Limited	50	United Arab Emirates	886,357	2,022,462
Investate Harbour	1.7	Cayman Islands	900,546	900,546
<b>Total</b>			<b>18,282,324</b>	<b>31,912,752</b>
<b>Other Investments (FVTPL):</b>				
Al Mubarak Real Estate Income Fund –II (Note b)		Kingdom of Saudi Arabia	200,000,000	200,000,000
<b>Total investments</b>			<b>200,000,000</b>	<b>200,000,000</b>

- a) The Group has disposed of its share in Burberry Saudi Co. Ltd for SR 9 million and recorded a loss on disposal of SR 3.5 million in other expenses (note 14).
- b) The fund is an unlisted private closed ended real estate investment fund domiciled in Saudi Arabia and the Group acquired its units on 16 December 2019. As the fund commenced operations in 2019 and the net asset value (NAV) is not available as at 31 December 2020, cost has been considered as an approximation of the fair value.

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**8. SHARE CAPITAL**

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

**9. LOANS & BORROWINGS**

	<b>Note</b>	<b>31 December 2020 (Unaudited)</b>	<b>31 March 2020 (Audited)</b>
<b><i>Non-current liabilities</i></b>			
Long term borrowings	9.1	<u>2,364,608,758</u>	<u>2,423,747,120</u>
<b><i>Current liabilities</i></b>			
Current portion of long-term borrowings	9.1	<u>620,286,398</u>	<u>559,310,961</u>
Short term borrowings	9.2	<u>135,143,785</u>	<u>200,411,571</u>
		<u><b>755,430,183</b></u>	<u><b>759,722,532</b></u>

**9.1 Long term borrowings**

	<b>31 December 2020 (Unaudited)</b>	<b>31 March 2020 (Audited)</b>
<b><i>Murabaha financing</i></b>		
Facility 1	<u>3,000,000,000</u>	<u>3,000,000,000</u>
Less: Upfront fees	<u>(15,104,844)</u>	<u>(16,941,919)</u>
	<u><b>2,984,895,156</b></u>	<u><b>2,983,058,081</b></u>

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

Non-current portion of long-term borrowings	<u>2,364,608,758</u>	<u>2,423,747,120</u>
Current portion of long-term borrowings	<u>620,286,398</u>	<u>559,310,961</u>
	<u><b>2,984,895,156</b></u>	<u><b>2,983,058,081</b></u>

***Murabaha financing***

**Facility 1**

The Group signed a long-term Murabaha financing agreement with The National Commercial Bank as the Murabaha Investment Agent and Murabaha Participants, amounting to facilities of SAR 2,400 million and USD 160,000,000 on 1 March 2020. As per the terms of the agreement, the term of the Murabaha facility is for a period of seven years. The Murabaha facility is secured by promissory notes issued by the Company. The facility is repayable in six half yearly installments commencing after 12 months from the date of signing the agreement. As at 31 December 2020, the Group has fully utilized this facility. The Murabaha facility carries markup at London Interbank Offered Rate ('LIBOR') plus agreed margin per annum.

The loans contain certain financial covenants. A future breach of covenants may lead to renegotiation including increase in profit rates, withdrawal of facility or repayment on demand. The covenants are monitored on a periodic basis by management. In case of potential breach, actions are taken by management to ensure compliance. During the period ended 31 December 2020, there has been non-compliance of certain covenants on outstanding facility with National Commercial Bank. However, as per terms of the agreement, there was no impact on these condensed consolidated interim financial statements including classification of the liability as at period end.

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**9. LOANS & BORROWINGS (CONTINUED)**

**9.2 Short term borrowings**

		<b>31 December</b>	31 March
		<b>2020</b>	<b>2020</b>
	<b>Note</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
Short-term Murabaha facilities	9.2.1	--	27,045,795
Short-term financing	9.2.2	116,693,492	149,998,571
Short term financing (Jordan)	9.2.3	18,450,293	23,367,205
		<b>135,143,785</b>	<b>200,411,571</b>

**9.2.1 Short-term Murabaha facilities**

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

**9.2.2 Other short-term financing**

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

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

Retail Group Jordan has short-term financing facilities with a financial institution amounting to SAR 18.4 million at annual interest rates ranging from 8%-8.75%.

**10. (LOSS) / EARNINGS PER SHARE**

**Basic and diluted (loss) / earnings per share**

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

	<b>3 months</b>	3 months	<b>9 months</b>	9 months
	<b>period ended</b>	period ended	<b>period ended</b>	period ended
	<b>31 December</b>	31 December	<b>31 December</b>	31 December
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Weighted average number of ordinary shares for the purpose basic and diluted (loss) / earnings per share	210,000,000	210,000,000	210,000,000	210,000,000
(Loss) / profit attributable to ordinary shareholders	(128,561,936)	34,474,181	(752,880,020)	231,305,246
Basic and diluted (loss) / earnings per ordinary share	(0.61)	0.16	(3.59)	1.10



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**11. OPERATING SEGMENTS**

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

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

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

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

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

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

	<i>Domestic</i>	<i>International</i>	<i>Inter-segment elimination</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR'000</i>	<i>SR'000</i>
<b><u>As at 31 December 2020 (Unaudited)</u></b>				
Non-current assets	7,222,390	711,332	(1,648,630)	6,285,092
Current assets	3,370,657	450,845	(1,447,951)	2,373,551
Total liabilities	7,058,139	2,343,616	(1,523,915)	7,877,840

<b><u>As at 31 March 2020 (Audited)</u></b>				
Non-current assets	7,675,777	847,145	(1,560,641)	6,962,281
Current assets	3,978,020	477,438	(1,399,669)	3,055,789
Total liabilities	7,576,691	2,385,377	(1,473,692)	8,488,376

	<i>Domestic</i>	<i>International</i>	<i>Inter-segment elimination</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR'000</i>	<i>SR'000</i>
<b><u>For nine month period ended 31 December 2020 (Unaudited)</u></b>				
Sales	2,702,791	401,057	(3,592)	3,100,256
Depreciation and amortization	(185,201)	(42,517)	--	(227,718)
Finance charges	(245,335)	(29,561)	--	(274,896)
Net loss	(680,657)	(81,145)	(105)	(761,907)

	<i>Domestic</i>	<i>International</i>	<i>Inter-segment elimination</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR'000</i>	<i>SR'000</i>
<b><u>For nine month period ended 31 December 2019 (Unaudited)</u></b>				
Sales	3,489,074	782,457	(14,771)	4,256,760
Depreciation and amortization	(153,701)	(51,792)	--	(205,493)
Finance charges	(290,209)	(47,823)	--	(338,032)
Net income / (loss)	220,280	14,433	(430)	234,283

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**11. OPERATING SEGMENTS (CONTINUED)**

	<i><u>Fashion retail SR '000</u></i>	<i><u>Indoor entertainment SR '000</u></i>	<i><u>Food &amp; Beverages SR '000</u></i>	<i><u>Total SR '000</u></i>
<b><u>As at 31 December 2020</u></b>				
<b><u>(Unaudited)</u></b>				
Non-current assets	5,687,755	179,237	418,100	6,285,092
Current assets	2,299,408	1,779	72,364	2,373,551
Total liabilities	7,302,638	157,755	417,447	7,877,840
<b><u>As at 31 March 2020 (Audited)</u></b>				
Non-current assets	6,270,339	230,685	461,257	6,962,281
Current assets	2,959,633	7,318	88,838	3,055,789
Total liabilities	7,887,775	170,761	429,840	8,488,376
<b><u>For nine month period ended 31 December 2020 (Unaudited)</u></b>				
Sales	2,853,027	2,842	244,387	3,100,256
Depreciation and amortization	(187,103)	(12,967)	(27,648)	(227,718)
Finance charges	(259,538)	(3,303)	(12,055)	(274,896)
Net loss	(671,638)	(51,134)	(39,135)	(761,907)
<b><u>For nine month period ended 31 December 2019 (Unaudited)</u></b>				
Sales	4,201,878	54,882	--	4,256,760
Depreciation and amortization	(191,962)	(13,531)	--	(205,493)
Finance charges	(337,918)	(114)	--	(338,032)
Net income	240,003	(5,720)	--	234,283

**12. REVENUE**

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

**For nine-month period ended 31 December 2020 (Unaudited)**

	<i><u>Kingdom of Saudi Arabia</u></i>	<i><u>CIS countries</u></i>	<i><u>USA and others</u></i>	<i><u>Total</u></i>
<b>Fashion Retail</b>				
Apparels	2,101,404,773	187,018,769	135,531,264	2,423,954,806
Footwear & Accessories	199,595,642	12,707,396	48,053,175	260,356,213
Others	157,403,827	7,292,679	4,019,212	168,715,718
	2,458,404,242	207,018,844	187,603,651	2,853,026,737
Food & Beverages	244,386,788	--	--	244,386,788
Indoor entertainment	--	--	2,842,310	2,842,310
Total	2,702,791,030	207,018,844	190,445,961	3,100,255,835

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**12. REVENUE (CONTINUED)**

**For nine-month period ended 31 December 2019 (Unaudited)**

	<b>Kingdom of Saudi Arabia</b>	<b>CIS countries</b>	<b>USA and others</b>	<b>Total</b>
<b>Fashion Retail</b>				
Apparels	3,009,907,218	420,554,094	109,775,325	3,540,236,637
Footwear & Accessories	310,310,524	31,466,073	70,153,112	411,929,709
Others	168,856,069	13,627,363	67,228,510	249,711,942
	3,489,073,811	465,647,530	247,156,947	4,201,878,288
<b>Indoor entertainment</b>	--	--	54,882,000	54,882,000
<b>Total</b>	<u>3,489,073,811</u>	<u>465,647,530</u>	<u>302,038,947</u>	<u>4,256,760,288</u>

**13. COST OF REVENUE**

	<b><u>For nine-month period ended</u></b>	
	<b>31 December 2020 (Unaudited)</b>	<b>31 December 2019 (Unaudited)</b>
Cost of goods	2,135,058,183	2,263,184,557
Depreciation on right-of-use asset	450,692,222	457,185,269
Employees' salaries and benefits	439,545,458	491,638,259
Utilities and maintenance	48,346,975	49,526,606
Rent expense	10,825,055	1,000,858
Travelling	1,159,514	2,473,263
Others	48,045,413	42,715,106
	<u>3,133,672,820</u>	<u>3,307,723,918</u>

- i) Cost of revenue includes inventory provision / write off of SR 409.2 million (31 December 2019: SR 92.2 million).

**14. OTHER OPERATING EXPENSES AND INCOME**

	<b><u>For nine-month period ended</u></b>	
	<b>31 December 2020 (Unaudited)</b>	<b>31 December 2019 (Unaudited)</b>
<b>a) Expense</b>		
Store closure losses	52,133,903	12,951,185
Foreign exchange loss	13,721,034	--
Loss on disposal of investment in Burberry Saudi Co. (note 7)	3,494,323	--
Equity accounted investees written-off	--	29,378,096
Others	1,694,604	9,141,755
	<u>71,043,864</u>	<u>51,471,036</u>
<b>b) Income</b>		
	<b>31 December 2020 (Unaudited)</b>	<b>31 December 2019 (Unaudited)</b>
Rental concession for leases (i)	191,358,065	--
Gain on lease termination/ modification	26,911,971	36,845,546
Gain on sale of Investment property	--	144,497,761
Foreign exchange gain	--	2,250,147
Others	13,949,783	--
	<u>232,219,819</u>	<u>183,593,454</u>

- i) Represents rental concession received for leases by the Group during the period due to COVID-19.

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**15. RELATED PARTY TRANSACTIONS**

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

**15.1 Key management personnel compensation**

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

	<b>31 December 2020 (Unaudited)</b>	<b>31 December 2019 (Unaudited)</b>
Salaries and short-term benefits	5,488,876	10,093,729
Post-employment benefits	983,003	2,813,769
Board of Directors and board committees remuneration and compensation	2,693,000	2,359,000
<b>Total key management compensation</b>	<b>9,164,879</b>	<b>15,266,498</b>

**15.2 Related party transactions**

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

	<b>Nature of transaction with related party</b>	<b>Relationship</b>	<b>31 December 2020 (Unaudited)</b>	<b>31 December 2019 (Unaudited)</b>
Arabian Centers Company	Rentals / Lease liability paid	Affiliate	267,730,850	449,831,806
Saudi FAS Holding Company (Parent Company)	Expenses paid on behalf of related party	Shareholder	74,422,818	17,246,963
	Transfer of balance due from disposal of subsidiary		75,000,000	--
Egyptian Centers for Real Estate Development	Rentals / Lease liability paid	Affiliate	4,000,376	3,279,721
Al Farida Trading Agencies	Services and payments	Equity accounted investee	2,636,972	4,201,944
Hajen Company Limited	Printing and advertisement	Affiliate	1,431,957	4,225,119
Others	Revenue	Affiliate	--	203,903

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

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**16. RECEIVABLE FROM DISPOSAL OF SUBSIDIARIES**

**Non-Current Portion:**

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

**Current Portion:**

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

- 16.1** During the year ended 31 March 2017, pursuant to the decision of the Board of Directors in their meeting held on 29 June 2016, the Group has disposed of Global 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.

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

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

**17.1 Accounting classification and fair values**

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

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





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

**17.2 Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk

**i) Risk Management Framework**

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

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

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

**ii) Credit risk**

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

	<b>31 December 2020 (Unaudited)</b>	<b>31 March 2020 (Audited)</b>
Cash at bank	532,973,518	679,808,231
Advances, deposits and other receivables	316,547,901	346,380,988
Receivable from disposal of subsidiaries and brands	75,000,000	150,000,000
	<b>924,521,419</b>	<b>1,176,189,219</b>

The cash and receivable balances are monitored with the result that Group's exposure to impairment on doubtful debts is not significant. As at 31 December 2020, the Group has recorded a provision of SR 18.5 million (31 March 2020: SR 50.5 million) on other receivables.

**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.

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(All amounts in Saudi Riyals unless otherwise stated)

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

**17.2 Financial risk management (continued)**

**iv) Market risk**

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

**18. CONTINGENCIES AND COMMITMENTS**

During the current period, the Group received a demand letter from the General Authority of Zakat and Tax (GAZT) claiming additional Value added tax (VAT) of SR 36.5 million and penalties of SR 39.1 million for the period up to 31 March 2020.

The Group has objected and filed an appeal for the same and has deposited SR 36.5 million. Subsequent to the period, GAZT has confirmed that the penalties have been waived. However, GAZT is still reviewing the responses and supporting documentations submitted by the Group. Based on the assessment of management handling the appeal, the Group is comfortable that it has adequate documentation to support the appeal, and accordingly, expects additional VAT liability to be substantially reversed by GAZT. Hence, provision has been recorded for SR 18.3 million and SR 18.2 million paid under appeal has been classified under Advances, deposits and other receivable.

At 31 December 2020, the Group has outstanding bank letter of credits of SR 543 million (31 March 2020: SR 659 million) issued against certain purchase of retail trading inventory. At 31 December 2020, the Group has outstanding bank guarantees of SR 449 million (31 March 2020: SR 485 million) issued by the local and foreign banks in respect of bid bonds, contracts advance payments and performance bonds.

**19. IMPACT OF COVID-19**

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

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

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

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