

Cenomi Retail



Annual  
Report  
2022

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# 01

## About Cenomi Retail

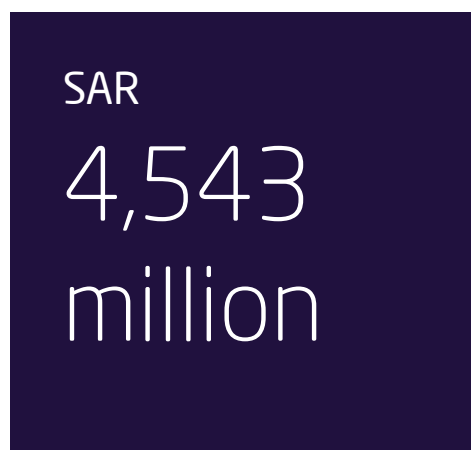
Change of fiscal year to  
end on 31 December

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# Financial Highlights

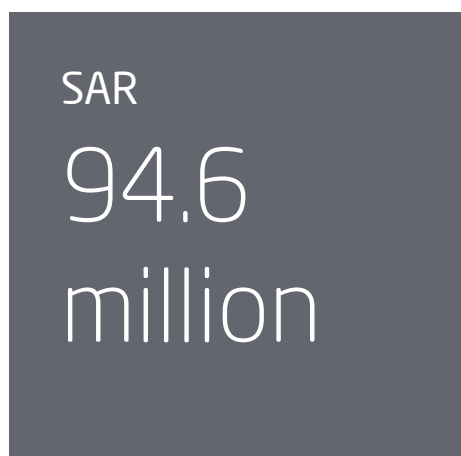
## Revenues



## Gross profit\*



## Net profit\*



## EBITDA



**Note:** Cenomi Retail's fiscal year has changed from 31 March to match the Gregorian year, ending on 31 December. The change takes effect from the calendar year 2022, with the Company issuing "audited" financial statements and reporting financial results for the short annual year (nine months), which started on 1 April 2022 and ended on 31 December 2022.

\* These figures are for the Short Annual Year (nine months) ending 31 December 2022

# Strategic Highlights

"CENOMI"  
LAUNCHED AS A  
FULL REBRAND

COMPLETED THE  
ACQUISITION OF 30  
DIRECTLY OPERATED  
SUBWAY STORES IN  
SAUDI ARABIA

NEW CEO AND  
CHIEF TECHNOLOGY  
AND INFORMATION  
OFFICER APPOINTED

BRAND PORTFOLIO  
RATIONALIZATION  
UNDERWAY

CHANGE OF FISCAL  
YEAR TO END ON  
31 DECEMBER

STAFF OPTIMIZATION  
REVIEW

26 NON-STRATEGIC  
BRANDS EARMARKED  
FOR DIVESTMENT

SAR 50 MILLION  
ANNUALIZED SAVING

4 BRANDS ALREADY  
EXITED





# Company Profile

In 1990, Fawaz, Salman, and Abdulmajeed Alhokair founded Fawaz A. Alhokair & Co, which was commonly known as Alhokair Fashion Retail Co. Over time, the Company grew into the premier franchise retailer in the Kingdom of Saudi Arabia (KSA) and the sole listed enterprise of its kind in the Middle East.

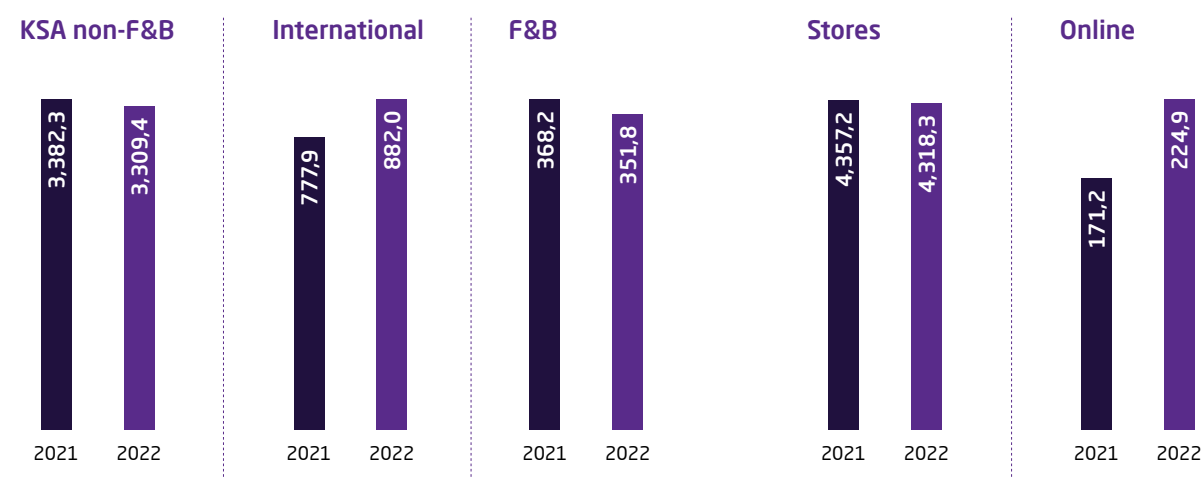
Over the years, Alhokair evolved as part of the Fawaz Alhokair Group, the region's largest vertically integrated immersive retail and lifestyle company. In 2022, together with Arabian Centres and Fawaz Alhokair Fashion Retail Co., the Company announced the launch of Cenomi. A comprehensive rebranding exercise has brought all its operating companies into the Cenomi brand, with Arabian Centres now trading as Cenomi Centers and Alhokair Fashion Retail Co. trading as Cenomi Retail.

The name Cenomi is derived from 'Ceno' which means 'new' in Greek, and 'Mi' referencing 'me'. Cenomi is a brand that puts the customer at its core and is dedicated to delivering a new era of retail and lifestyle experiences to KSA and beyond. Cenomi Retail curates the best fashion, beauty, entertainment and dining brands to create fully immersive lifestyle platforms that can be experienced at leading outlets and malls in KSA, or online through a complete omnichannel universe.

Cenomi Retail represents 67 international brands across various categories, including fashion, beauty, sports, multimedia, and food and beverage. The Company employs more than 10,000 individuals to facilitate its operations and is continually expanding and diversifying its retail offerings to cater for the changing needs of its steadily expanding customer base - while also delivering consistent long-term value to its shareholders.

## Revenue by division

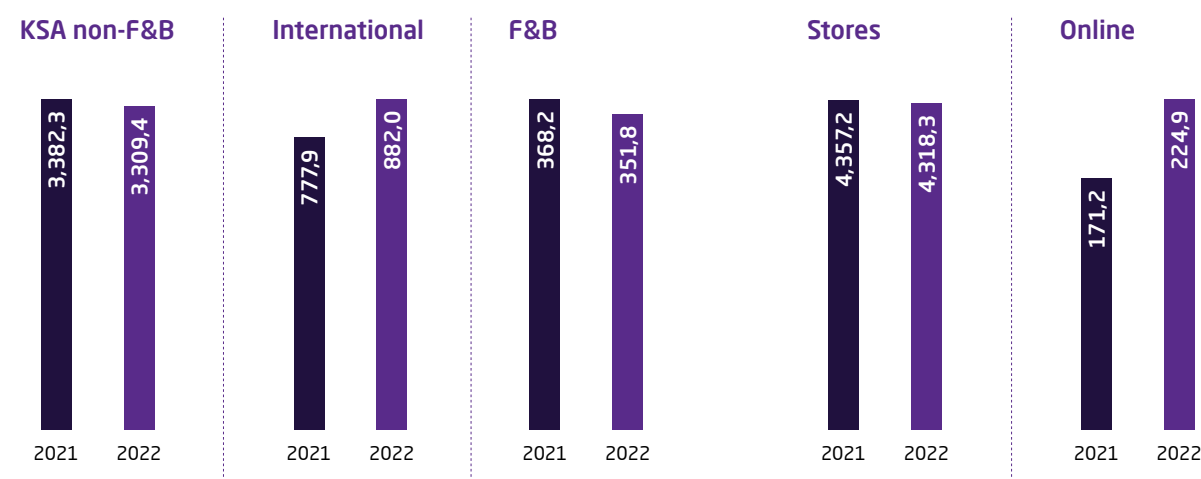
SAR million



● Short Annual Year (nine months) ending 31 Dec 2021 ● Short Annual Year (nine months) ending 31 Dec 2022

## Revenue by channel

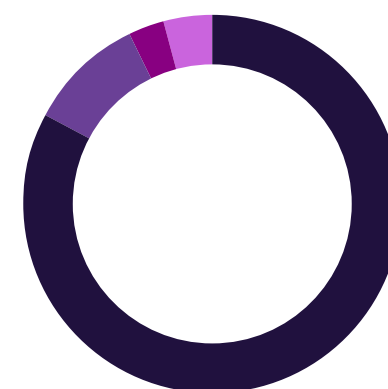
SAR million



● Short Annual Year (nine months) ending 31 Dec 2021 ● Short Annual Year (nine months) ending 31 Dec 2022

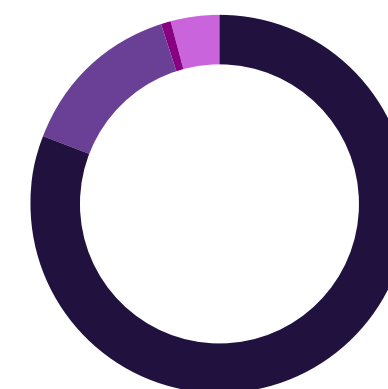
## Revenue by geography

(%)



Short Annual Year (nine months) ending 31 Dec 2021

- 83% KSA
- 10% CIS
- 3% Egypt
- 4% Others



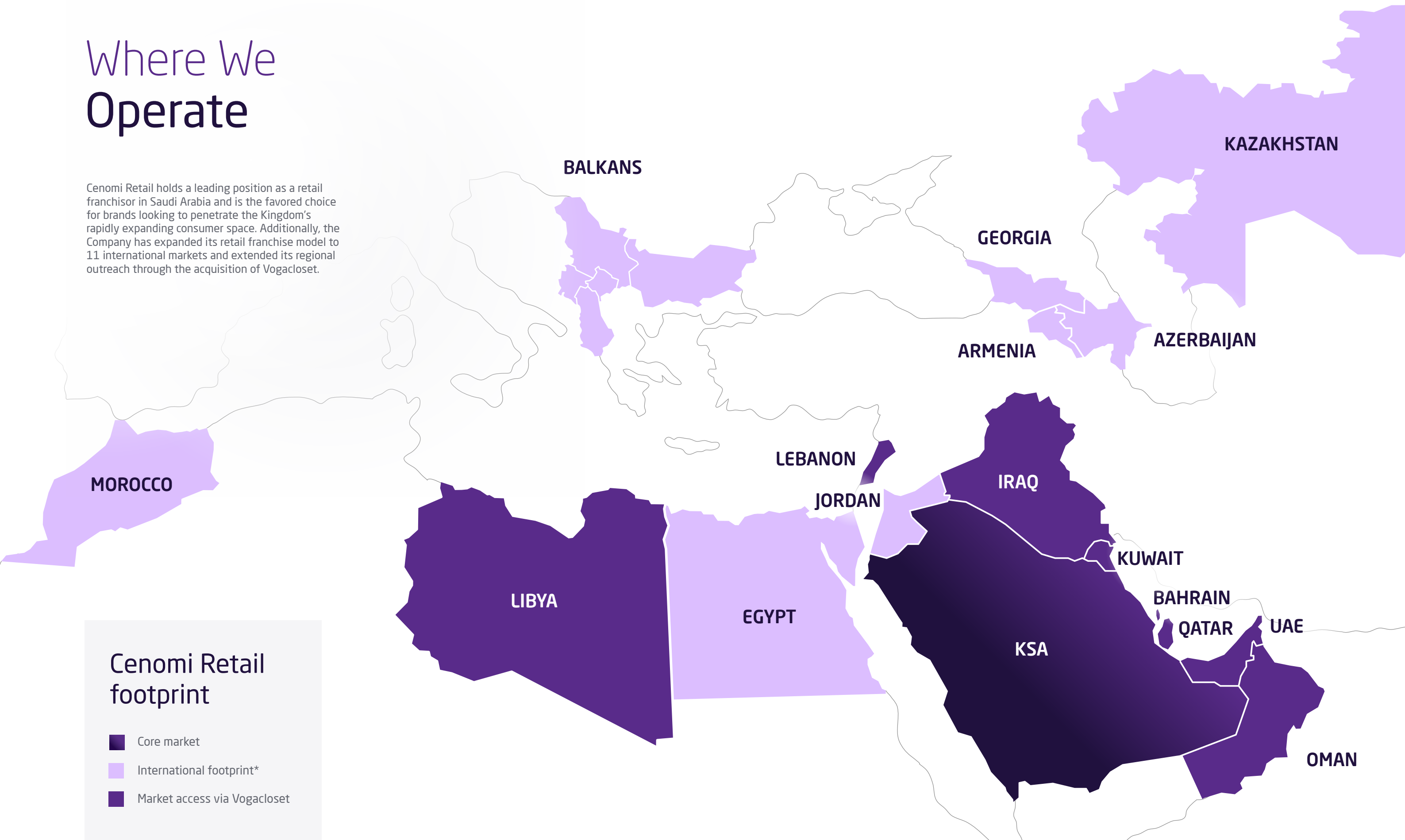
Short Annual Year (nine months) ending 31 Dec 2022

- 81% KSA
- 14% CIS
- 1% Egypt
- 4% Others



# Where We Operate

Cenomi Retail holds a leading position as a retail franchisor in Saudi Arabia and is the favored choice for brands looking to penetrate the Kingdom's rapidly expanding consumer space. Additionally, the Company has expanded its retail franchise model to 11 international markets and extended its regional outreach through the acquisition of Vogacloset.



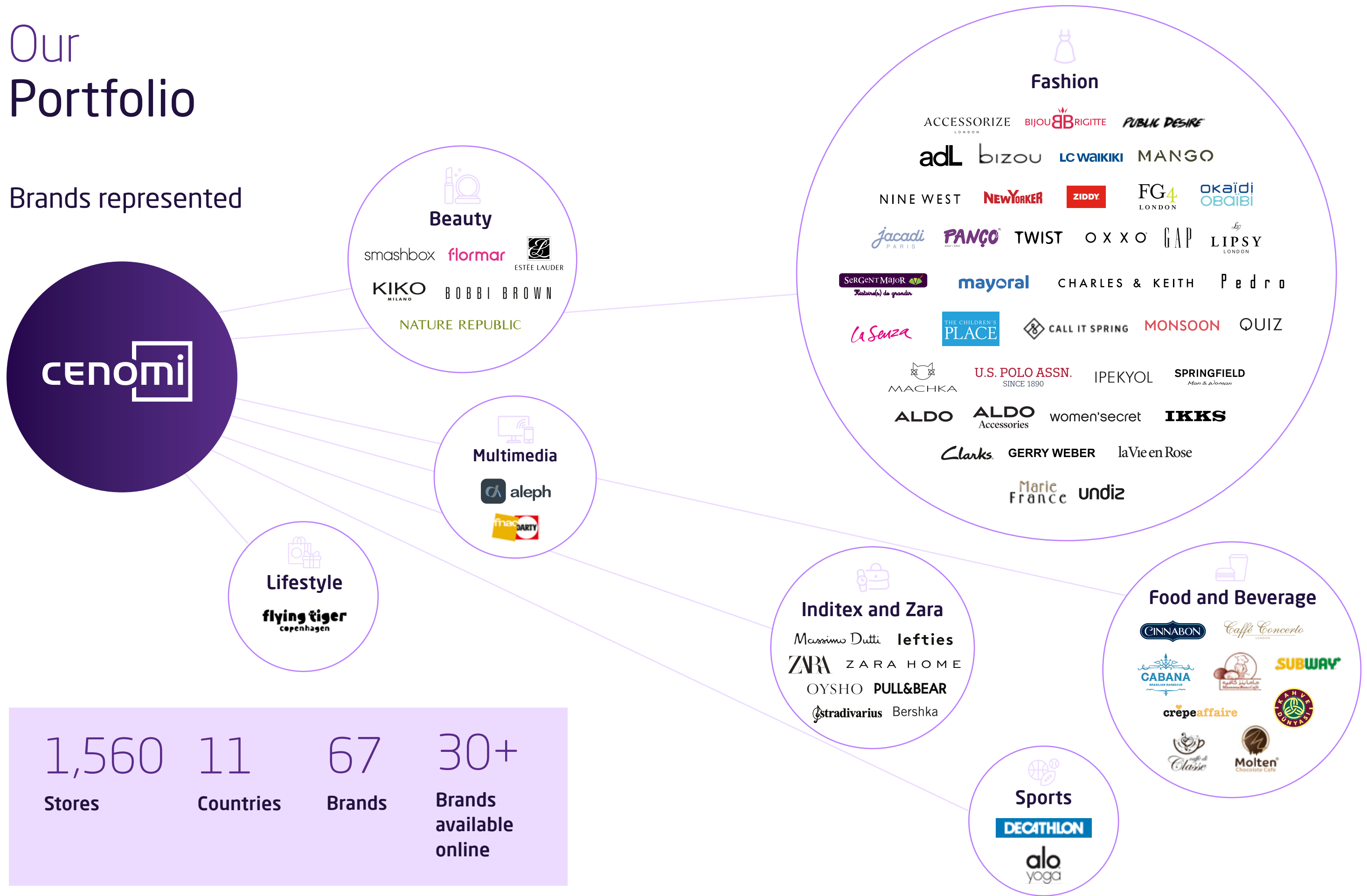
## Cenomi Retail footprint

- Core market
- International footprint\*
- Market access via Vogacloset

\* International footprint also includes USA, which is not represented here.

# Our Portfolio

Brands represented





# Our Vision and Values

## OUR VISION

To become the largest and most admired integrated omnichannel lifestyle retailer in MENA, and partner of choice for local and international brands

We are working to achieve this by offering a wide selection of quality products, delivering excellent customer service, and building long-term relationships with our business partners. To this end, our key strategic themes include:

- expanding our scale and reach to become the franchisor of choice;
- developing our portfolio;
- modernizing our network;
- improving the customer experience;
- enhancing our omnichannel capabilities; and
- establishing an effective and efficient operating model to drive the retail sector in the markets in which we operate.

## OUR VALUES

### Appreciating and developing our people

At Cenomi Retail we value people and believe that they are the key to our success. We respect diverse backgrounds, unique talents, and eclectic tastes, as these are the strengths that help us succeed. We encourage our people by rewarding good performance and developing them for growth.

### Consistent top quality

We are committed to quality and delivering consistent and reliable service and products across every touchpoint and channel. Our passion for excellence infuses our actions with purpose, turning stores into places of energy and customer delight.

### Robust partnerships

We value strong partnerships, striving to create an environment that fosters robust relationships with business partners, customers, employees, shareholders, and the communities we serve. We believe that strong relationships are built on trust, honesty, and integrity.





# 02

## Strategic Review

Net Profit

SAR 94.6 million

14.5% 

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# Chairman's Statement

I am pleased to introduce the Board of Directors' Report for the financial year ended 31 December 2022, our first as Cenomi Retail, having rebranded from Fawaz Alhokair Fashion Retail Co. in December 2022.

## Operating environment

Thanks to Vision 2030 and the ongoing investment from the government, the country expects to see significant expansion in infrastructure over the next seven years, with five giga projects currently underway together with a plethora of real estate, leisure and entertainment developments.

The Kingdom is also experiencing a steadily growing population with Saudi demographics rapidly shifting, with a growing youth population and an increased economic participation by women. The market is expected to grow annually by almost 5% (CAGR 2022 - 2027) with revenue in the apparel market amounting to circa SAR 75 billion in 2022. Tourism and discretionary spending are also on the rise, the latter expected to more than double by 2030. Cenomi Retail is well-positioned to contribute to, and benefit from this transformation.

## Driving transformation

The theme of transformation has been one that has underpinned 2022, for both our Company and the nation. Led by His Highness King Salman Bin Abdulaziz Al Saud, and His Highness the Crown Prince Mohammed bin Salman bin Abdulaziz Al Saud, the progress of the Vision 2030 ambitions has seen tremendous success during the year, as it drives growth and development throughout the Kingdom.

As an organization, transformation has also been at the heart of Cenomi Retail's 2022 strategy. Against a strengthening economic backdrop, Cenomi Retail has continued to implement its turnaround strategy aimed at delivering a focused business model that enhances and differentiates our offering and solidifies our position as the

leading lifestyle retail destination. With our proven track record and strong brand partnerships, we are well-positioned to achieve growth and capitalize on the emerging opportunities presented by an evolving consumer base.

Our changing brand mix targets most consumer segments with a focus on high-margin products, and we are constantly exploring digitization and new partnerships to improve our economies of scale and customer experience. To enhance operations, we are implementing a company-wide optimization plan, focusing on operational excellence whilst continuing to move towards a lean operating structure across head office and store locations.

## A year of operational highlights

We have delivered a number of key successes in many areas of our business in 2022 that puts us in a strong position to continue on our journey in 2023 and beyond. This includes the redesign of our employee incentive scheme, debt clearing and restructuring, store and HQ staff optimization, the hiring of a Chief Supply Chain Officer to effectively transform the purchasing and inventory management systems and a Chief Technology and Information Officer to support the development of strategic IT infrastructure initiatives.

## Supporting our people

Cenomi Retail is one of the largest employers of talent in the Saudi private sector. We recognize that our people are our greatest strength and contribute heavily to the Company's success. We therefore remain fully committed to effectively engaging with our employees and working with them to transform our corporate culture. We are proud that this culture supports the Kingdom's social and economic agenda, while empowering our staff through shared values, a greater sense of accountability, and a commitment to positive change. A key part of this transformation is the evolution of our talent onboarding and

development initiatives. The launch of the Cenomi Retail Academy, in partnership with the Technical and Vocational Training Corporation, Saudi Human Resources Development Fund and accredited by City & Guilds and the Cambridge University Press & Assessment, will ensure that we are continually innovating to deliver the support, training and opportunities employees need to achieve their professional ambitions and career goals.

## Committed to good governance

At Cenomi Retail, we take good corporate governance very seriously and are progressing toward achieving ever-higher standards that will guide the business through its future growth phases. The Board and Executive Management are fully aligned with our vision and are committed to delivering results, while improving the sustainability of the business at a structural level.

During 2022, an extensive search was undertaken to appoint a new Chief Executive Officer for Cenomi Retail. I am delighted to welcome Dr Gunther Helm as our new Chief Executive Officer, with effect from 1 April 2023, who will lead Cenomi Retail into the next phase of its transformation. He brings two decades of retail leadership experience, and I am confident that his expertise of both instore and online retail will support the Company's strategy.

## With gratitude

Thank you to my fellow Board Members for their commitment, wisdom and support of our management team. On behalf of the Board, I would also like to extend my deepest gratitude to our loyal customers for their ongoing support of all our brand partners, both in stores and online. Finally, thank you to our management, staff and shareholders for their dedication to the business and their contribution to its success.

“  
We are well-positioned to achieve growth and capitalize on the emerging opportunities presented by an evolving consumer base.

**Fawaz Alhokair**

Chairman



# CEO's Message

The year 2022 was a milestone period for Cenomi Retail as the Company's brand transformation took place in December which saw the entire Fawaz Alhokair Group and its operating companies rebrand to Cenomi.

We have continued our focus on transforming the business and maintaining an unwavering commitment to stabilize and grow the Company, underpinned by solid, future-proof planning and clear strategic intent.

As Vision 2030 continues to take hold in the Kingdom, Cenomi Retail is positioning itself to contribute to the obvious forward economic momentum as well as taking advantage of shifting consumer patterns and trends.

## Operational Highlights

Throughout 2021, we have remained resilient and focused on delivering the experiences that our customers demand as well as the performance our shareholders expect. For the shortened FY ending 31 December 2022, net profit increased by 14.5% to SAR 94.6 million when compared to FY21 with total revenues remaining stable at SAR 4,543 million (FY21: SAR 4,528 million)

We have seen a steady return in consumer demand for retail, with in-store footfall returning to pre-Covid levels, as well as a surge in demand for online channels, fueled by changing customer behaviors post pandemic. As a brand partner of choice for leading global brands, we must always be able to adapt and change to meet those needs and ensure that we are creating excellent retail experiences that deliver added value to our consumers, and in turn our investors.

This strong overall operational performance has been underpinned by a number of key initiatives we have commenced or continued in FY22. We have accelerated our transformation program, which together with our strategic divestment program and our focus on aligning our business with champion brands, stands to steadily and sustainably improve our profitability.

Over the past year, we have also made good progress enhancing our operations for sustainable growth and profits. We have focused on expediting the delivery of our operational upgrade strategy through four essential cornerstones: portfolio optimization, enhanced operational excellence, digitization and building sought after lifestyle brands.

Cenomi Retail's vision is to be the leading lifestyle retailer of choice in Saudi Arabia and our selected strategic markets. In the retail space, we have adapted quickly to meet the growing needs of the Saudi consumers. This has seen us expand into much more than a fashion business, with a steadily increasing reputation for enabling customer lifestyle aspirations. Our steady growth in food and beverage (F&B) has seen us align with some of the biggest global brands, including Subway and Cinnabon, supporting their continued expansion across the KSA.

Deliberately investing in F&B growth and successful international markets will further underpin this success going forward.

## Transformational Highlights

Our transformational strategy focuses on welcoming new and exciting franchises, expanding into new segments, enriching our omnichannel ecosystem, and transforming into a fully customer-centric model.

One of our key transformational highlights is our plan to tap into the growing demand for consumer electronics and lifestyle products in the Kingdom. In FY22 we signed an agreement with Fnac Darty, a leading provider of entertainment, leisure products, consumer electronics and domestic appliances in Europe, to expand operations into the KSA market. This also aligns with Vision 2030 goals to promote culture and entertainment.

In FY 2022, we announced the implementation of our strategic brand rationalization program, which aims to divest 26 non-strategic brands in addition to recalibrating our store network. We exited four of these brands in the year under review.

## Revenue FY22

# SAR 4,528 million

We expect the program to have a revenue impact of approximately SAR 288 million, and bolster profitability by around SAR 25 million. In addition, we have divested four F&B brands under the Azal restaurant chain and acquired 30 directly operated Subway stores to add to our franchisee footprint across the Kingdom.

We remain committed to exploring innovative and distinctive concepts to meet the evolving needs of consumers and strengthen our F&B business. In line with this commitment, through a combination of acquisition and new stores, we will open 68 new F&B outlets across Subway and Cinnabon.

These consolidation actions are part of our continued focus to bring the most coveted brands to the Kingdom to meet consumer needs and support the growth of retail across the country, with the ultimate objective to ensure that Cenomi Retail delivers premium shopping experiences to KSA consumers.

# “

Cenomi Retail's vision is to be the leading lifestyle retailer of choice in Saudi Arabia and our selected strategic markets.

## Mohamad Mourad

Interim CEO

## International Highlights

Beyond the borders of the Kingdom, our commitment to providing leading lifestyle experiences is equally strong. Cenomi Retail's international portfolio has continued its growth trajectory, supported primarily by positive results from our operations in Jordan and the Commonwealth of Independent States (CIS).

These operations achieved strong year-on-year revenue growth of 13.4% which contributed SAR 882 million to our total revenues. Going forward we will intensify our focus on growing our market share in these, and other key growth markets across the globe.

In closing, it gives me great pleasure to be formally handing over the reins of the business to Dr. Gunther Helm, who joined in April 2023 to lead the Company towards the delivery of its future-focused strategy and its continued work with leading global brands in order to deliver exceptional customer experiences in store and online. I very much look forward to working with Dr. Helm and seeing Cenomi Retail continue its exciting transformation journey in 2023 and beyond.





# Business Model

The Cenomi omnichannel ecosystem blends engaging physical experiences and curated brands with the convenience of online channels to deliver a competitive advantage.

## Capabilities and market position

<p><b>Strong brand portfolio</b></p>	<p><b>One of the largest Saudi employers</b></p>	<p><b>Partner of choice</b></p>
<p><b>67</b> brands including homegrown and leading global brands</p>	<p>Close to <b>6,000 Saudi employees</b> with a Saudization rate of <b>62%</b></p>	<p><b>Longstanding relationships</b> with major partners in fashion and food <b>Preferred partner</b> for new brands that want to access the markets in which we operate</p>
<p><b>Diversified offering</b></p>	<p><b>International footprint</b></p>	<p><b>Omnichannel capabilities</b></p>
<p><b>Across categories</b> from affordable fashion to high street, F&amp;B and lifestyle</p>	<p><b>Operations in the KSA</b> benefiting from the buoyant economic backdrop <b>Operations in 10 international countries</b> with high growth potential</p>	<p><b>Broad</b> store and food outlet network <b>Growing presence in the e-commerce space</b> through mono-brand websites, Vogacloset, and on major regional marketplaces</p>

## Intergrated omnichannel ecosystem



## Value creation

We strive to bring our customers leading brands in fashion, food, and lifestyle to provide a best-in-market lifestyle experience, in person and online.

### Our Business

#### Retail

Cenomi Retail currently represents **67 retail brands**, through **1,560 stores**, ranging from womenswear, menswear, kids and baby, department stores, shoes and accessories, cosmetics, electronics and variety.

#### Food and Beverage

Cenomi Retail operates **250 quick-service restaurants (QSRs), restaurants and coffee shops** with a series of sub-franchises.

In addition to physical retail outlets, our fashion, beauty, lifestyle and electronic offerings are supported by e-commerce, creating an enticing omnichannel experience.

## Stakeholders

#### Our customers

They are at the center of our business and we aim to continuously improve the way we do business to provide them with **world-class shopping experiences**.

#### Our people

They are the backbone of our business and we work to provide them with a **diverse, inclusive, equitable, and healthy working environment**.

#### Our brand partners

The franchise business is all about the relationship with brand partners. We **value our longstanding relationships** with our brand partners and we work on cementing the same **strong relationships with our new partners**.

#### Our shareholders

We value our shareholders who continue to believe in our story. We are committed to **transparency and full disclosure and to creating long-term growth and value** for them.



# Strategy

## Cenomi Retail's strategic pillars

Our strategic approach recognizes that the Cenomi Retail of the future differs from that of the past. As we strive to become a leading player in the Commonwealth of Independent States (CIS), we remain committed to our home market while also pursuing strategic opportunities in other regions. Our future growth will prioritize sustainability and

focus, with an emphasis on long-term shareholder value, meeting consumer demand, and delivering preferred brands and channels. To achieve this, we are laying strong foundations, starting with operational refocus, re-prioritization, and re-gearing from 2022 to 2023.

In 2022, our business strategy was focused on four key pillars. We started delivering aggressively on this strategy and its underlying priorities, with the aim of creating long-term value in strong and high-growth markets.

1

### Geography



- Consolidate KSA leadership and expand in CIS
- Become a top three regional player by winning in CIS

We defined a clear international strategy and kicked-off strategic market entries in new countries with existing and potentially new brand partners.

We also laid out accelerated roll-out plans in existing countries where we wanted to strategically win. Furthermore, we re-assessed our position in a few smaller and underperforming geographies and put in place clear turnaround plans or gradual exit plans.

2

### Category



- Defend and maintain Fashion and Accessories market leadership
- Replicate Fashion and Accessories leadership in F&B
- Expand lifestyle categories to become a true multicategory retailer (where relevant)

Our strategy to evolve from an apparel champion to a multi-category lifestyle retailer is founded on three key elements. First, we will defend and maintain our position as the leader in fashion and accessories. Second, we replicate our significant success in fashion and accessories within the food and beverage segment. And finally, we will expand our lifestyle categories to become a true multi-category retailer where relevant.

3

### Brands



- Rationalize portfolio by exiting underperforming brands
- Scale top existing brands to their full potential
- Spearhead growth with Brand Champions (BC) and Tier 1 (T1)

Cenomi Retail embarked on a brand portfolio rationalization program by earmarking 26 non-strategic brands for exit (see Operational Review on page 30), allowing us to enhance profitability and boost resources to grow our Champion brands. The disposals will have an expected revenue impact of circa SAR 288 million, with an uplift in profitability of circa SAR 25 million accruing as the divestment program is completed. In 2022 we exited four Azal restaurant brands. We also identified the target list of new brand champions we wished to add to our Fashion and Accessories portfolio and started to actively engage with potential partners.

In Food and Beverages, we accelerated the growth of our existing brand champions, namely Subway and Cinnabon, with the aim of reaching their full potential in the next three to five years. This growth will tap into all ideal locations in malls, destinations, street locations, and transit-oriented locations. We also identified the target list of new brand champions we wished to add to our F&B portfolio and started to actively engage with potential partners. The new additions are aimed at enriching and complementing our F&B offering with types and cuisines not present or under-represented in the portfolio currently.

4

### Channel



- Double down on mono-brand sites to achieve market online penetration rates
- Leverage Cenomi.com as a platform partner

Cenomi Retail has doubled down on expansions of new brand sites, optimized existing sites, and revamped online marketing campaign strategies for mono-brand sites. We also optimized aggregator marketing campaigns that unlocked strong evident growth for our brands in the F&B segment. Furthermore, we put in place a promising and exciting new strategy for third party marketplaces, to be further unveiled in 2023.



# CFO's Review

I am pleased to present a brief financial review for Cenomi Retail for the short annual year (nine months) ending 31 December 2022 "FY22".

Despite the ongoing challenges posed by inflationary pressures, supply chain disruptions, and higher interest rates, our company has continued to demonstrate stability and resilience.

At SAR 4,543 million, revenue for FY22 remained stable YoY (FY21: SAR 4,528 million). The revenue breakdown by division also remained relatively stable YoY.

Our international portfolio has continued its growth trajectory, growing 13.4% YoY to SAR 882 million. This was supported primarily by positive results from our operations in the Commonwealth of Independent States (CIS).

Our online channels have shown steadily growing adoption rates, as evidenced by the increased proportion of overall sales revenue delivered by our online offerings.

The cost of revenue increased by approximately SAR 115 million YoY, resulting in a decline in gross profit from SAR 809.5 million for FY21 to SAR 709.6 million for the period under review. Nevertheless, our net profit for FY22 amounted to SAR 94.6 million, which compares favorably with SAR 82.6 million in FY21.

Cenomi Retail's brand rationalization program gained momentum during FY22 as we identified 26 non-strategic brands for divestment. This rationalization program supports the evolution of the brand portfolio and facilitates our continued focus on bringing the most coveted winning brands to the Kingdom to meet consumer needs and support the growth of retail across the country.

Operationally, we have taken significant steps in terms of inventory management, providing a more solid foundation to support future growth. This resulted in a restatement of the financial statements for the period ending 31 March 2020, to account for a one-off inventory charge, and this is not expected to have further financial or operational impact.

We have also implemented a staff optimization program, downsizing 15% of our headquarters' staff headcount, as well as store level rationalization which delivered an annualized saving of SAR 50 million.

Looking forward, we will continue to focus on optimizing our operations with the aim of delivering improvements in profitability and generating long-term sustainable value for our shareholders.

Cenomi Retail is well positioned to continue its strategic growth trajectory and we remain committed to providing innovative retail solutions, leveraging technology and data to drive growth, and meeting changing and evolving consumer needs, while staying ahead of industry trends.

We thank our valued customers, employees, shareholders and partners for their unwavering support and look forward to continued success in the future.

## Ahmed Belbesy

CFO

## Revenue breakdown

	Short Annual Year (nine months) ending 31 Dec 2021 (SARmn)	Short Annual Year (nine months) ending 31 Dec 2022 (SARmn)
<b>Revenue by division</b>		
KSA non-F&B	3 382,3	3 309,4
International	777,9	882,0
F&B	368,2	351,8
<b>Revenue by channel</b>		
Stores	4 357,2	4 318,3
Online	171,2	224,9
<b>Revenue by geography (%)</b>		
KSA	83%	81%
CIS	10%	14%
Egypt	3%	1%
Others	4%	4%

## Financial highlights for the last five years

Balance Sheet KPIs (SAR'000s)	March 2019	March 2020	March 2021	March 2022	December 2022
Total current assets	3,554,009	3,055,789	1,908,065	2,131,222	1,933,175
Total non-current assets	3,153,174	6,962,281	6,145,267	6,109,985	5,968,901
<b>Total assets</b>	<b>6,707,183</b>	<b>10,018,070</b>	<b>8,053,332</b>	<b>8,241,207</b>	<b>7,902,076</b>
Total current liabilities	2,112,139	2,351,806	2,707,933	5,147,113	4,675,332
Total non-current liabilities	2,184,167	6,136,570	5,252,515	2,948,736	2,945,402
Total liabilities	4,296,306	8,488,376	7,960,448	8,095,849	7,620,734
Total equity	2,410,877	1,529,694	92,884	145,358	281,342
<b>Total liabilities and equity</b>	<b>6,707,183</b>	<b>10,018,070</b>	<b>8,053,332</b>	<b>8,241,207</b>	<b>7,902,076</b>

Income Statement KPIs (SAR'000s)	12 months ended March 2019	12 months ended March 2020	12 months ended March 2021	9 months ended December 2021	12 months ended March 2022	9 months ended December 2022
Revenue	5,425,803	5,341,789	4,232,513	4,528,369	5,915,095	4,543,167
Gross profit	1,084,497	407,845	(393,695)	809,474	990,796	709,593
Operating profit	318,462	(349,737)	(1,263,660)	340,330	283,671	321,701
Net profit	138,050	(681,153)	(1,467,318)	82,645	38,030	94,645

## Comparing activity results with the previous same period

(SAR'000s)	9 months ended December 2021	9 months ended December 2022	Change	Percentage of change
Revenue	4,528,369	4,543,167	14,798	0%
Cost of revenue	(3,718,896)	(3,833,574)	(114,679)	3%
Gross profit	809,474	709,593	(99,881)	(12)%
Operating expenses	(469,144)	(387,892)	81,252	(17)%
Operating profit	340,330	321,701	(18,629)	(5)%
Net profit	82,645	94,645	12,000	15%



# Investment Case

Cenomi Retail is a top franchise retailer in Saudi Arabia and the preferred option for brand partners looking to expand into key markets. The Company provides excellent opportunities to enter the

Kingdom's thriving Retail and F&B industries, as well as its rapidly developing e-commerce market, along with expanding high-growth strategic markets.

## Six reasons to invest in, or partner with, Cenomi Retail

### 1

## Attractive sector dynamics

- Saudi Arabia and other strategic markets offer growth opportunities - favorable demographics, evolving lifestyles, and e-commerce
- Retail and F&B sectors in KSA exhibit strong fundamentals due to a young and expanding population and changing lifestyles
- Expansion of tourism and entertainment industries aligns with Vision 2030
- F&B sector shows compelling growth dynamics
- Cenomi Retail positioned to leverage market dynamics through a diverse portfolio of brands

**KSA is the fastest-growing economy in the G20**

Cenomi Retail operates in the G20's fastest growing economy and one of the globe's most exciting growth stories.

Relative performance of major economies, 2022 (real GDP: % change, year on year)

Country	Relative Performance (%)
Saudi Arabia	8.7%
India	~7.5%
Indonesia	~6.5%
Spain	~5.5%
China	~4.5%
UK	~3.5%
Canada	~3.0%
Turkey	~2.5%
Australia	~2.0%
Iran	~1.5%
Taiwan	~1.0%
Italy	~0.5%
South Korea	~0.5%
France	~0.5%
Mexico	~0.5%
US	~0.5%
Japan	~0.5%
Brazil	~0.5%
Germany	~0.5%
Russia	~0.5%

### 2

## Proven track record of success

- We operate successful brands and franchises in high-growth markets
- Diverse brand portfolio targets local as well as global expansion
- Preferred partner of choice for international brands and franchises
- Significant reach, strength, and experience provides a competitive edge
- Targeting to drive F&B, beauty, electronics, and sports growth
- Omnichannel presence provides tailored customer experiences

### 3

## Transformation and sustainable growth

- Cenomi Retail transformation to lead lifestyle retail destination trend
- Focus on new franchises, segments, omnichannel, and customer-centric model
- Evolving brand mix targets most consumer segments with high-margin products
- Digitization and joint ventures to improve economies of scale and customer experience
- Store optimization plan
- Committed to lean operations, people, expansion, and digitalization to achieve strategic goals

### 4

## Strong financial and operational foundation

- Cenomi Retail has delivered healthy revenue performance through economic cycles
- Ongoing optimization of operations and balance sheet strengthens financial position
- Demonstrated agility and innovation
- Comprehensive initiatives for IT, finance, and supply chain optimization - improved liquidity and efficiency
- Established shared service center model to streamline operations
- Well-positioned to pivot towards new and emerging market demands

### 5

## Vision-led management and good governance

- A highly experienced management team
- Committed to improving corporate governance and transparency
- Executive Management has diverse backgrounds, skill sets, and deep retail experience
- Leadership aligned with the Company's vision and committed to delivering results and maximizing shareholder value

### 6

## Resilient corporate culture aligned with Vision 2030

- Cenomi Retail's culture aligns with Saudi Arabia's social and economic objectives
- Prioritize the development of Saudi talent - diverse career opportunities
- Promote diversity and inclusion
- Incentivization program drives performance and supports career advancement
- Culture of dedication and innovation throughout the Company - results in improved accountability and strategic execution



# 03

## Business Review

62

Retail stores opened

35

F&B stores opened

Retail	36
Food and Beverage	38
E-commerce	40



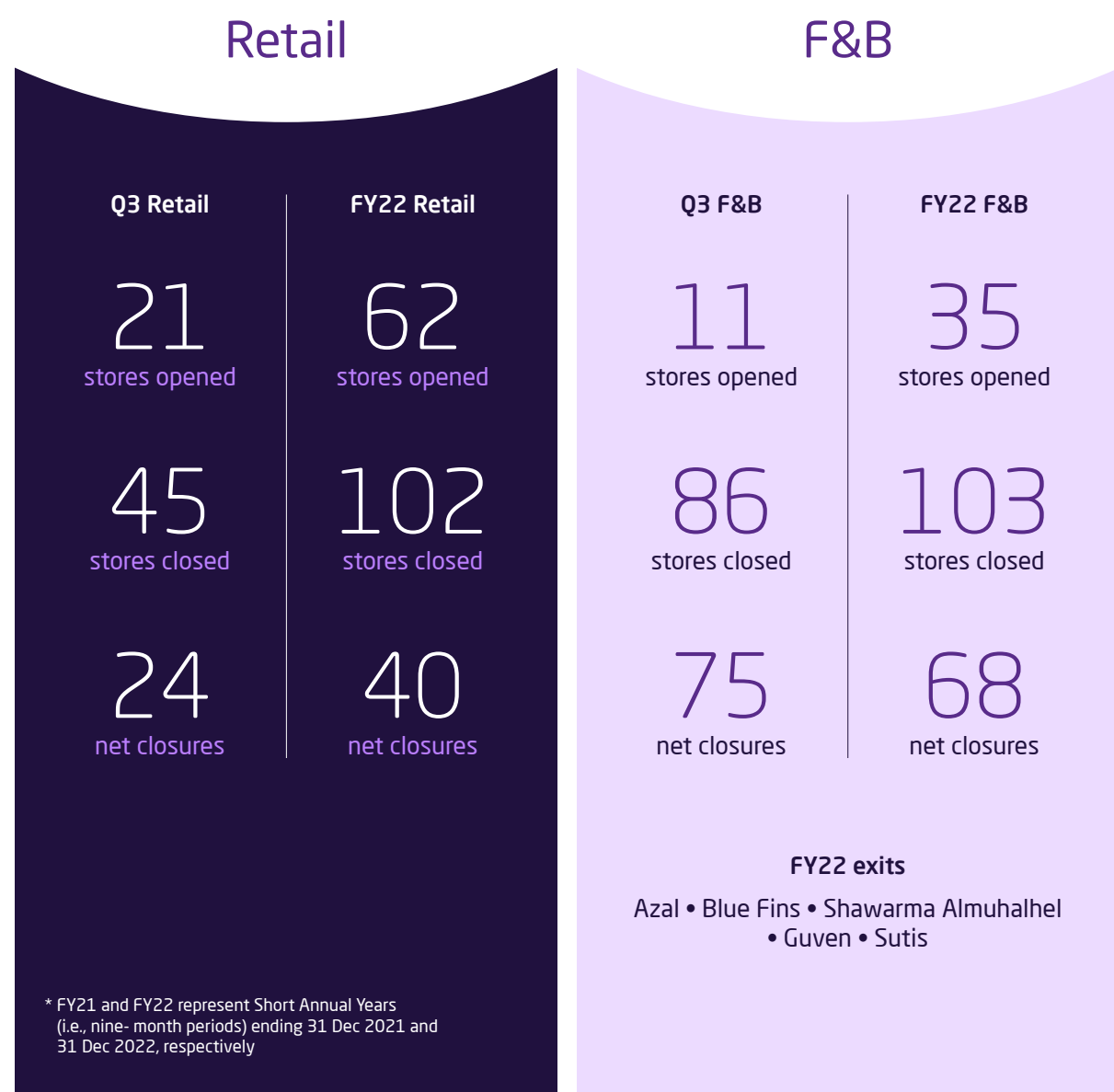


In the short annual year (nine months) ending on 31 December 2022, we took bold steps to drive long-term shareholder value by improving our operations. Firstly, we revamped our organizational structure to increase accountability and unlock significant synergies across the board. Secondly, we invested in critical capabilities such as Supply Chain Management, IT, and Operations to enhance our efficiency. Thirdly, we introduced data-driven

decision-making processes in various areas including buying, inventory management, and capex roll-out, resulting in clear value creation. We also implemented a sensitive manpower optimization strategy. To accelerate sales, we launched a program that includes effective marketing campaigns, internal sales schemes, and sales training programs.

## Brand acquisitions and store openings

### Key brand and store openings:



## Retail

### Decathlon

Decathlon, a French sporting equipment and product company, offers products and services for over 70 sporting disciplines. Cenomi Retail acquired the franchise rights to open Decathlon stores in Saudi Arabia in December 2020, marking our first venture into sports/athleisure. The first Decathlon store opened in April 2021, and we plan to open 30 more stores over the next decade. In the 2023 financial year, we plan to expand on our current three locations.

### Alo Yoga

Alo Yoga is a premium LA-based lifestyle brand that aims to spread mindful movement, wellness, and community through yoga. Cenomi Retail's franchise agreement with Alo Yoga supports our strategy to expand into athleisure and offer a healthy lifestyle to Saudi consumers. The first Alo Yoga store opened in December 2021. Alo Yoga's eco-conscious, WRAP-certified activewear design has gained a following among celebrities and social media influencers.

### Flying Tiger Copenhagen

Flying Tiger Copenhagen is a Danish retailer with 900 stores across 27 countries, known for fun and utilitarian products at value-for-money prices. In FY 22, they partnered with Cenomi Retail, the first franchise agreement for Flying Tiger in the Middle East, supporting our goal to diversify our retail portfolio. We plan to launch 45 Flying Tiger stores in KSA over the next five years, with the first branch having opened in February 2022 at Al-Nakheel Mall in Riyadh. The online store is also scheduled to launch in the 2023 financial year. Flying Tiger's affordable products have been well-received, contributing to Cenomi Retail's diversification efforts.

### Fnac Darty

(upcoming)

Fnac Darty, a leading provider of entertainment, leisure products, consumer electronics, and domestic appliances in Europe, operates in 13 countries and employs over 25,000 people. With an omnichannel strategy attracting almost 27 million unique visitors per month, Fnac Darty is a European leader in this industry.

Cenomi Retail and Fnac Darty signed an agreement to expand into the KSA market. Going forward, Cenomi Retail will tap into the growing demand for consumer electronics and lifestyle products in the Kingdom, and access the expanding global ticketing business through Fnac's expertise as leaders in ticketing in France. This offering aligns with Vision 2030 goals to promote culture and entertainment.

It showcases multi-brand consumer electronics, household appliances, stationery, books, as well as cultural and lifestyle products.

## Food and Beverage

### Cinnabon

Cinnabon is the leading brand in Cenomi Retail's F&B portfolio, with its unique high-quality product performing strongly in KSA over the past 19 years. During FY22, we opened 25 new locations (including five sub-franchises), bringing the total number of stores to 120. In November 2021, we announced a major deal with Cinnabon to bring 130 new bakeries to KSA within the next five years. This ground-breaking agreement showcases the brand's strong international momentum.

Cinnabon's strategic plans for the brand include growing their sub-franchise business to reach 130 sub-franchised stores by FY26. They are also expanding into drive-through locations in FY23. In addition, we will introduce Cinnabon to Morocco and we have already identified store locations, with the first store in Morocco expected to open in H2 FY23.

### Subway

Subway is the world's largest quick-service restaurant (QSR) chain that offers fresh, made-to-order sandwiches, wraps, salads, and bowls to millions of customers in over 100 countries, through its nearly 40,000 restaurants. Subway restaurants are owned and operated by Subway franchisees - a network of more than 20,000 entrepreneurs and small business owners, dedicated to providing the best guest experience possible in their local communities.

Our master franchise agreement with Subway allows the Company to strengthen its position in the QSR segment by leveraging the existing 210 Subway restaurants operating in the KSA. This move aligns with our incoming brand strategy of creating a scalable, adaptable, and exportable F&B portfolio.

Cenomi Retail has ambitious plans for the Subway brand, aiming to add a minimum of 145 new company-owned locations in the Kingdom in the next six years. By December 2022, we had acquired 30 new stores and plan to open 17 more stores in 2023.

### Secrets

Secrets is a bakery and patisserie inspired by French and American desserts, including cakes and ice cream. FY22 saw Cenomi Retail sign a master franchise agreement with Secrets, introducing this exciting new food and beverage concept to the Kingdom.

We have big plans for the brand, including the opening of physical stores supported by delivery services, catering offerings, and vertical integration. Secrets will also be integrated with our existing coffee shops.

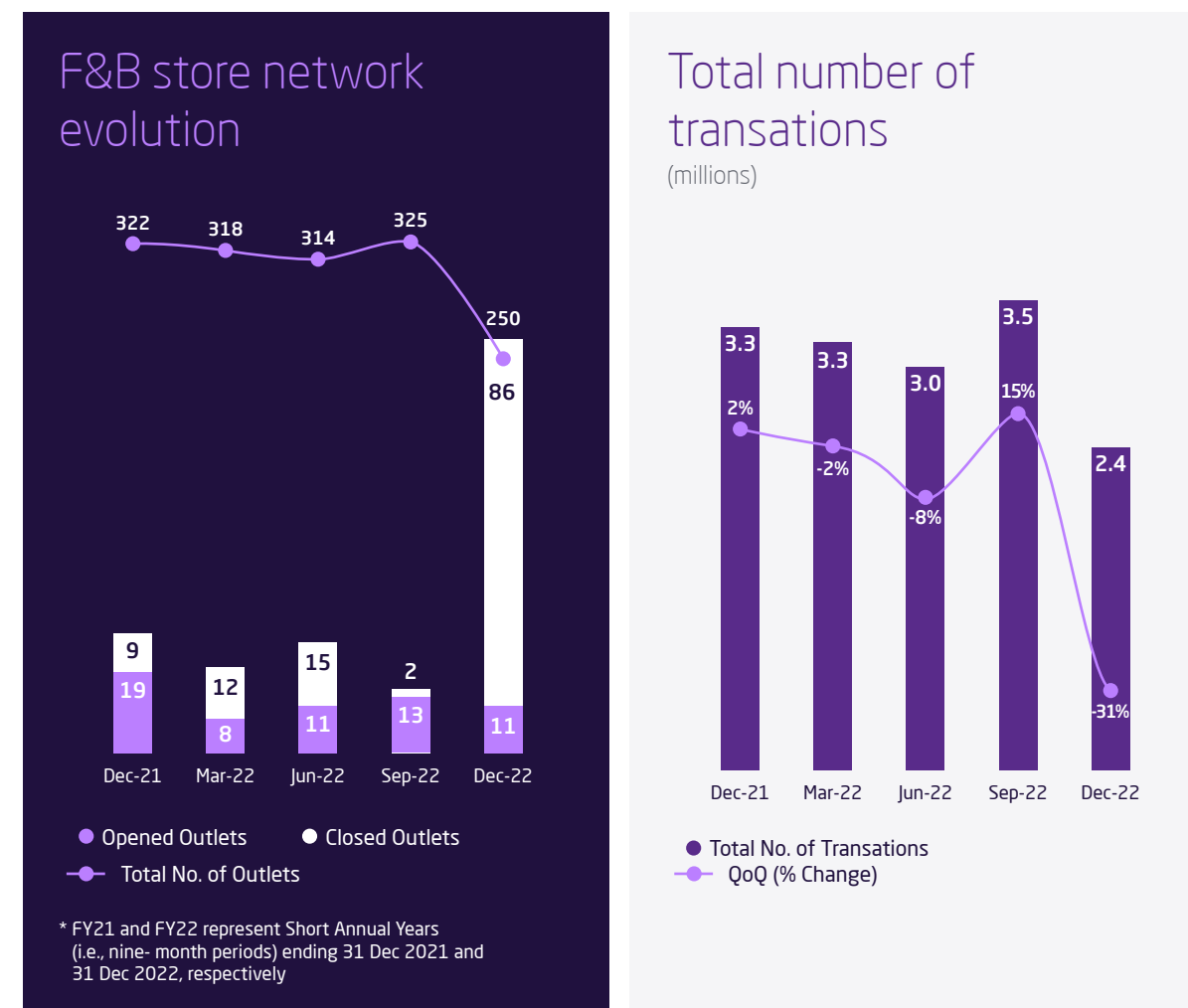
### Focusing on brand rationalization

Cenomi Retail selects brands based on rigorous market due diligence with the aim of delivering a product offering that is trendy, progressive, and in line with the fast-changing lifestyles of customers. As part of its ongoing strategic portfolio optimization, management continuously evaluates the brand partnerships and exits those that are not in line with the operational upgrade strategy designed to support our growth ambitions.

During FY22, Cenomi Retail achieved several key milestones on its transformation journey by aligning its business with Champion Brands and focusing on operational excellence. One of these milestones is the strategic brand rationalization program, which aims to divest 26 non-strategic brands, with four already exited. This program is expected to have a revenue impact of circa SAR 288 million, with an uplift in profitability of circa SAR 25 million accruing as the divestment program is completed.

## Divestment of non-strategic brands to establish solid foundation for future growth

### Lower F&B sales resulting from strategic brand rationalization



# Retail

## Operating environment

The retail sector in Saudi Arabia underwent significant changes in 2022. Economic growth, driven by rising oil prices, government spending and the implementation of Vision 2030, has boosted consumer confidence and spending, benefiting the retail industry. Perhaps the most significant trend that has begun to emerge is the obvious shift that is taking place in the mindset and buying behaviors of the Saudi consumer base. This shift is evidenced by the steady growth in consumption across the food and beverage, leisure and entertainment spend categories. Saudi consumers are becoming more discerning and sophisticated, which drives up demand for personalized lifestyle experiences and the expectation of efficient and localized services.

Technological advancements have also played a significant role in shaping the retail industry in KSA. Retailers are increasingly embracing technologies such as artificial intelligence, augmented reality, and virtual reality, to enhance the shopping experience.

Online shopping has increased dramatically in the retail sector in recent years. More consumers have shifted to online shopping, leading to a major rise in e-commerce activity. According to a report by Kearney Middle East, online sales in Saudi Arabia are expected to reach USD 13.9 billion in 2025, up from USD 8.3 billion in 2020.

We recognize the importance of pivoting our offering to meet the demands of this transforming consumer base, as well as the opportunities that this shift will bring if we offer the right mix of brands across in-demand consumer categories.

## Performance review

Against this backdrop, Cenomi Retail witnessed a stable revenue performance in FY22, despite a 5% year-on-year decrease in F&B revenues due to the brand rationalization. Meanwhile, our international portfolio supported the top line, with a 13% year-on-year rise in revenues.

To drive future growth, we remain focused on operational excellence and cost rationalization, resulting in a 19.7% decrease in SG&A expenses. We have continued to strategically optimize our inventories during the period, with a decline of 28%. The Company had recorded a one-off inventory charge of SAR 290 million in the reviewed quarter ending 31 December 2022, reported on 9 February 2023. As part of the full year audit process, given that elements of this one-off charge pertained to previous periods, the full amount of SAR 290 million was restated to prior periods. This one-off inventory charge is not expected to have a further financial or operational impact.

## Looking forward

The retail industry in Saudi Arabia is expected to undergo significant changes over the next two years. E-commerce is projected to continue its rapid growth, as consumers shift towards online shopping. In addition, the industry is becoming increasingly competitive, with both local and global players vying for market share. Retailers are likely to focus on sustainability and environmental responsibility, implementing measures that reduce plastic waste and use eco-friendly packaging. Technological advancements such as artificial intelligence and augmented reality are being adopted to enhance the shopping experience. Furthermore, Saudi Arabian retailers are likely to expand their operations, both domestically and internationally, to take advantage of the Kingdom's efforts to promote tourism and investment.





# Food and Beverage

## Operating environment

Our F&B operations faced several challenges in 2022, particularly with rising commodity prices impacting margins. These were driven by supply chain disruptions caused by the Covid-19 pandemic and the conflict in Ukraine, as well as climate change, which has led to harvest damage from extreme weather conditions. Additionally, consumers are cutting their spending due to inflation and demanding deep discounts from restaurant chains, leading to a price war amongst many QSR players, which has further impacted profits. The industry needs to address these challenges to maintain sustainable growth and profitability in the future.

## Performance review

Cenomi Retail's F&B segment experienced a 5% YoY decline in revenues, reaching SAR 352 million in FY22. The drop was a result of the brand rationalization program, which saw us exiting three brands under Azal restaurants and Shawarma Almuhalhl for SAR 25 million, causing a revenue impact of SAR 46 million in Q3. However, we have been actively implementing important measures to enhance our F&B business, such as the acquisition of 30 Subway stores across the Kingdom, with plans to open 17 more outlets. Cinnabon will also be expanding with 15 new outlets scheduled for opening in 2023. We remain committed to exploring innovative and distinctive concepts to meet the evolving needs of consumers and to strengthen our F&B business further.

## Looking forward

We are on track to achieve our ambitious growth plans. We will be adding 17 Subway stores and 15 Cinnabon stores in KSA.

As we continue to optimize our brand portfolio, we are committed to exiting brands that are underperforming or that we believe are not fully aligned to our strategic growth objectives. This will help us focus our resources on Champion brands with the potential for growth and profitability.

“

We remain committed to exploring innovative and distinctive concepts to meet the evolving needs of consumers and to strengthen our F&B business further.





# E-commerce

## Operating environment

The e-commerce environment is dynamic and ever-changing. With 30 mono-sites now live, Cenomi Retail has expanded its e-commerce presence significantly. It has 23 brands now operating in the mono-site model in KSA and seven sites in three international markets. Cenomi Retail's mono-site model was developed from a franchise agreement that leverages our physical footprint to drive a brand-centric journey. High consumer demand delivers top-line growth and a stronger brand presence.

We have closely managed end-to-end execution through multi-fulfilment models that include locally sourced, cross-border, centralized, and omnichannel offerings. Increasing tech needs and growing daily operations has made daily management more complex, with manager overview needed for up to 15 sites and product leads required for day-to-day execution of up to three sites.

There are now 32 brands live on the marketplace channel, with 95% managed under our marketplace model and 5% still under the retail model. Cenomi Retail handles all product distributions.

## Performance review

The financial performance of our e-commerce channel in FY22 has been strong, with SAR 225 million in revenue achieved, representing a year-on-year increase of 31%.

Cenomi Retail attracted a staggering 72 million total digital sessions, which is a clear indication that customers are finding our e-commerce platforms to be user-friendly and reliable.

In addition to these impressive metrics, we launched 16 new mono-sites in 2022, including 14 in KSA and two in international markets. These launches have helped to expand Cenomi Retail's customer base and tap into new markets, further fueling our growth.

We recorded significant growth in both the Vogacloset and Mono-brands channels. Vogacloset continued to represent 5% of e-commerce revenue, with 32 brands now present on the platform.

## Looking forward

Looking ahead, the e-commerce channel is poised for continued growth and success. The e-commerce approach will focus on expanding our mono-site and marketplace offerings, supported by plans in place to launch new mono-sites in 2023. There is a particular focus on expanding our international presence, with 16 new sites underway.

To support Cenomi Retail's continued e-commerce growth, we plan to expand our capabilities across tech, assortment, and marketing categories. This will include developing multi-channel capabilities, improving reporting and analytics, and redefining our acquisition strategy by channel. We will also enhance our partnerships with third-party providers, focusing on content, fulfilment, last-mile delivery, and payment service providers.

Finally, we plan to partner within the Cenomi ecosystem with our own Cenomi.com. This new e-commerce marketplace will provide brands with the opportunity to offer Saudi customers the very best choice and convenience when they shop online. Cenomi.com is expected to launch in 2023.

With these plans in place, Cenomi Retail is well-positioned to continue its impressive e-commerce growth trajectory.





# 04

## Our People

62% Saudization  
as per the Nitaqat system





Cenomi Retail's workforce is its greatest asset, comprising talented individuals who are committed to serving our customers. As one of the largest employers in Saudi Arabia's retail industry, we employ more than 7,300 people in the Kingdom and have a total headcount of over 10,000 across all our markets. The Saudi government's initiative to increase Saudization in retail and encourage women to join the workforce presents a unique opportunity for Cenomi Retail to help grow the sector, develop the Saudi workforce, and shape its future.

By the end of FY22, Cenomi Retail's Saudization percentage reached 62% as per the Nitaqat system for our operations inside the Kingdom. As a significant employer in Saudi Arabia, we recognize our duty to help our people develop their skills and advance their careers. Therefore, our leadership is dedicated to creating opportunities for our employees to grow and evolve with us. By prioritizing employee development, we also position ourselves as an employer of choice and improve our ability to attract and retain top talent across our organization.

**Company culture and ethics**

At Cenomi Retail, we foster a culture that values performance and growth through various means such as fair pay policies, incentives, benefits, and profit-sharing opportunities. We strive to create a workplace in which employees feel motivated to work hard and contribute to the success of the Company.

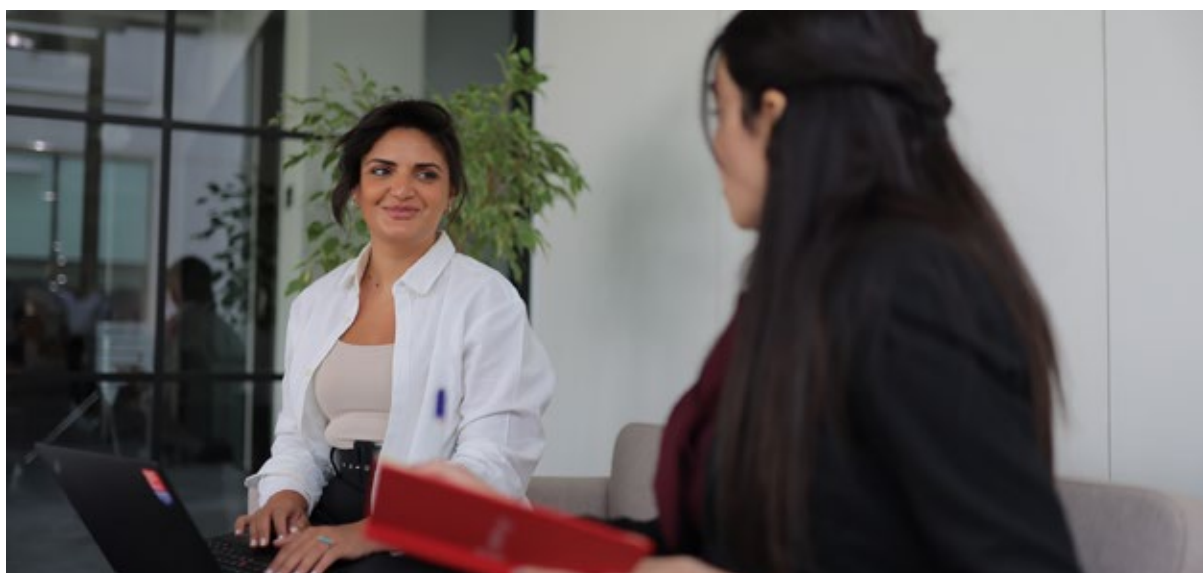
We ensure that our goals and vision are clear and communicated consistently through our performance management system. Employees are encouraged to align their annual goals with the Company's goals, creating a link between their work and the business results.

Our core value of integrity is essential to us, and we uphold it through our daily operations and human capital processes such as training and performance management. Cenomi Retail's management leads by example and encourages employees to model the Company's values in their behavior and decision-making.

Our leadership team creates an environment that not only develops employees but also encourages them to embody the customer experience they are creating. The customer experience is a crucial component of our values and competency framework, which cascades through all levels of employment in the Company.

**Talent management approach and philosophy**

At Cenomi Retail we take an integrated approach to talent management and the ongoing development of our people. The key pillars underpinning this approach are as follows:



### Skills development

We prioritize competency-based learning and development, investing in employee training to address identified competency deficiencies. We translate these deficiencies into learning objectives and various development activities. Our development model focuses on a self-driven, blended learning approach that emphasizes competency-building. This includes on-the-job development experiences (70%), mentoring and self-study (20%), and classroom training and formal educational events (10%). Our education hub is a training academy that translates the Company's strategy into relevant learning initiatives for employees. Over 100 competency-specific programs are overseen by the academy and supported by the Learning Management System.

### Recruitment and talent retention

One of our biggest challenges is finding talent of sufficient caliber to integrate into the Cenomi Retail culture. We seek employees who bring unique perspectives, diverse backgrounds, customer-centric focus, and alignment with our culture. These characteristics reinforce the behaviors we encourage in our workplace. We offer career development opportunities through a talent management framework and strive to fill vacant positions with talented employees already in our pool.

### Engaging with employees

Cenomi Retail schedules employee events throughout the year to boost morale and engagement, including team building functions and departmental gatherings. In 2022, we celebrated National Day with our employees at our head office. We also frequently host entertainment events like movie screenings or sports games with prizes for correct score predictions. In addition to monthly pulse surveys with the leadership team, we participate in the Great Place to Work survey. In the 2022 financial year, our overall score was 74%, a significant increase from our previous participation score of 61%. This places Cenomi Retail in 12th position out of all companies in our category that participated in the survey.

### Performance support

We operate a performance management program that utilizes clear and regular communication between appraisers and appraisees. This cycle runs from 1 April to 31 March each year and includes several steps, such as expectation setting, feedback, coaching, results measurement, and ongoing assessment. We use the annual performance rating process to determine individual performance bonuses, recognizing our employees' contributions to the Company's overall performance.

### Succession planning

Cenomi Retail has implemented a thorough Succession Planning process to identify and develop potential talent and leaders. Candidates with critical skills and competencies are matched with development needs and leadership plans to reduce succession failure risk and increase readiness. This process is integrated into our larger talent management framework to ensure key positions are filled promptly, preventing negative impacts on business continuity or service delivery.

### Employee health and wellness

Employees must ensure a safe and healthy workplace by adhering to Cenomi Retail's practices and reporting incidents, injuries, or unsafe conditions. Our headquarters is equipped with modern amenities and technologies to create a secure working environment. The retreat lounge encourages employees to socialize and break from routine roles, with billiards, table tennis, darts, PlayStations, and LCD TVs provided for entertainment. Our new agile workspace promotes teamwork, camaraderie, and pride in our growing company.





## Hiring Saudi Nationals and the Social Contribution Program

Cenomi Retail considers hiring Saudi nationals a critical priority and we are committed to fulfilling our obligation in this regard. In the 2022 financial year, we maintained our national employment levels at 62%, while retaining our platinum Nitaqat status. In the year under review, progress on our commitment to employ and develop Saudi nationals included the following:

### Future Leaders Program

Our aim with the Future Leaders Program is to attract and train the most promising Saudi national graduates from both internal and external universities accredited by the Ministry of Education. This program equips them with the necessary skills to become leaders in the retail industry and motivates them to apply these skills in their careers, ultimately enabling them to become true leaders in their businesses. The goal of the program is not just to create new job opportunities for Saudis, but also to prepare and position these employees to take up administrative roles that are currently held by non-Saudis. To achieve this, we actively engage with newly graduated Saudi students through various initiatives, including open recruitment days and workshops throughout the year in collaboration with the Chambers of Commerce and Industry in regions such as Riyadh, Jeddah, Dammam, Jizan, and Abha. We also offer cooperative training programs in partnership with King Saud University, Princess Nourah Bint Abdulrahman University, and Al-Faisal Academy to attract students to this training, as well as organizing career days for university and college graduates.

### Employment Support Program

HADAF, the Human Resources Development Fund of Saudi Arabia, is a program that aims to promote the localization of professions in the private sector. This initiative provides support for both on-site and remote jobs and targets areas with limited employment opportunities, as well as the recruitment of women and individuals with disabilities. As of present, HADAF has assisted 500 employees, and this figure is projected to rise to 800 in the near future.

### National Employment Program

Cenomi Retail takes part in the national employment program aimed at offering appropriate job openings for both male and female citizens. During the year under review, we recruited over 144 staff members via the program, achieving our set target for the period.

### Skills Development Program (Tamheer)

The Tamheer program offers on-the-job training to Saudi male and female graduates from local and foreign universities accredited by the Ministry of Education who have five or fewer employees.





# 05

## Governance



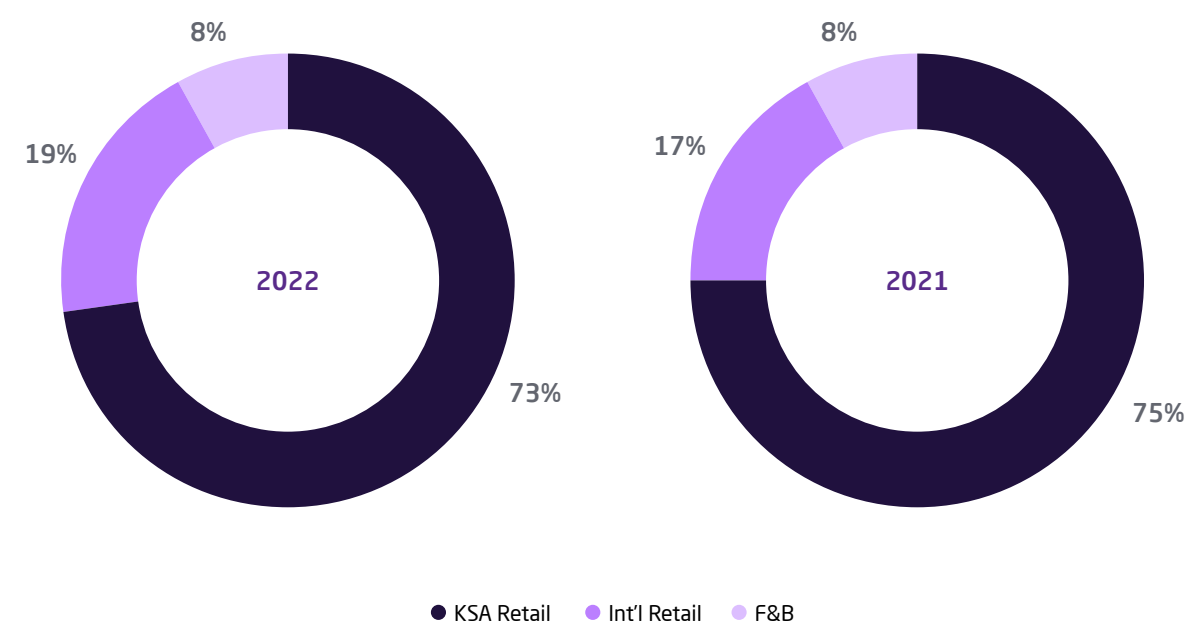
### 1. Financial Performance

**Note:** Cenomi Retail’s fiscal year has changed from 31 March to match the Gregorian year, ending on 31 December. The change takes effect from the calendar year 2022, with the Company issuing “audited” financial statements and reporting financial results for the short annual year (nine months), which started on 1 April 2022 and ended on 31 December 2022.

Despite the ongoing challenges posed by inflationary pressures, supply chain disruptions, and higher interest rates, our company has continued to demonstrate stability and resilience.

At SAR 4, 543 million, revenue for FY22 remained stable YoY (FY21: SAR 4,528 million). The revenue breakdown by division also remained relatively stable YoY.

#### Revenue by division

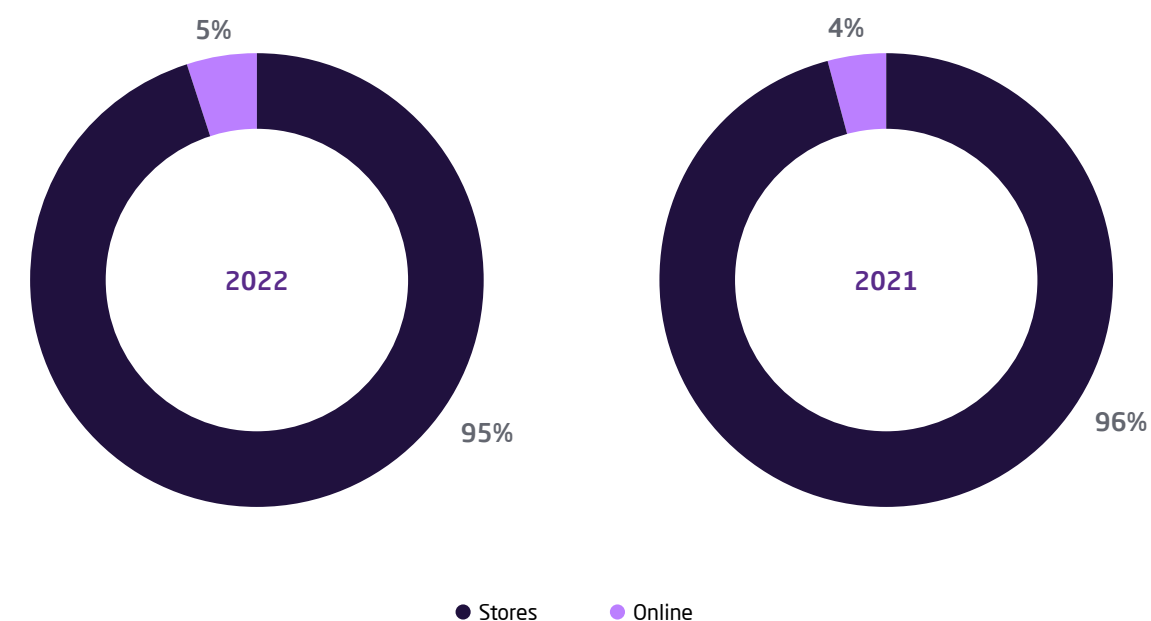


\* FY21 and FY22 represent Short Annual Years (i.e., nine- month periods) ending 31 Dec 2021 and 31 Dec 2022, respectively

Our international portfolio has continued its growth trajectory, growing 13.4% YoY to SAR 882 million. This was supported primarily by positive results from our operations in the Commonwealth of Independent States (CIS).

Our online channels have shown steadily growing adoption rates, as evidenced by the increased proportion of overall sales revenue delivered by our online offerings.

#### Revenue by channel



The cost of revenue increased by approximately SAR 115 million YoY, resulting in a decline in gross profit from SAR 809.5 million for FY21 to SAR 709.6 million for the period under review. Nevertheless, our net profit for FY22 amounted to SAR 94.6 million, which compares favorably with SAR 82.6 million in FY21.

Cenomi Retail’s brand rationalization program gained momentum during FY22 as we identified 26 non-strategic brands for divestment. This rationalization program supports the evolution of the brand portfolio and facilitates our continued focus on bringing the most coveted winning brands to the Kingdom to meet consumer needs and support the growth of retail across the country.

Operationally, we have taken significant steps in terms of inventory management, providing a more solid foundation to support future growth. This resulted in a restatement of the financial statements for the period ending 31 March 2020, to account for a one-off inventory charge, and this is not expected to have further financial or operational impact.

We have also implemented a staff optimization program, downsizing 15% of our headquarters' staff headcount, as well as store level rationalization which delivered an annualized saving of SAR 50 million.

Looking forward, we will continue to focus on optimizing our operations with the aim of delivering improvements in profitability and generating long-term sustainable value for our shareholders.

Cenomi Retail is well positioned to continue its strategic growth trajectory and we remain committed to providing innovative retail solutions, leveraging technology and data to drive growth, and meeting changing and evolving consumer needs, while staying ahead of industry trends.

We thank our valued customers, employees, shareholders and partners for their unwavering support and look forward to continued success in the future.



\* These figures are for the Short Annual Year (nine months) ending 31 December 2022

#### Revenue breakdown

	Short Annual Year (nine months) ending 31 Dec 2022 (SAR mn)	Short Annual Year (nine months) ending 31 Dec 2021 (SAR mn)
<b>Revenue by division</b>		
KSA non-F&B	3 309,4	3 382,3
International	882,0	777,9
F&B	351,8	368,2
<b>Revenue by channel</b>		
Stores	4 318,3	4 357,2
Online	224,9	171,2
<b>Revenue by geography (%)</b>		
KSA	81%	83%
CIS	14%	10%
Egypt	1%	3%
Others	4%	4%

#### 1.1 Financial highlights for the last five years

Balance Sheet KPIs (SAR'000s)	December 2022	March 2022	March 2021	March 2020	March 2019
Total current assets	1,933,175	2,131,222	1,908,065	3,055,789	3,554,009
Total non-current assets	5,968,901	6,109,985	6,145,267	6,962,281	3,153,174
<b>Total assets</b>	<b>7,902,076</b>	<b>8,241,207</b>	<b>8,053,332</b>	<b>10,018,070</b>	<b>6,707,183</b>
Total current liabilities	4,675,332	5,147,113	2,707,933	2,351,806	2,112,139
Total non-current liabilities	2,945,402	2,948,736	5,252,515	6,136,570	2,184,167
Total liabilities	7,620,734	8,095,849	7,960,448	8,488,376	4,296,306
Total equity	281,342	145,358	92,884	1,529,694	2,410,877
<b>Total liabilities and equity</b>	<b>7,902,076</b>	<b>8,241,207</b>	<b>8,053,332</b>	<b>10,018,070</b>	<b>6,707,183</b>

Income Statement KPIs (SAR'000s)	9 Months ended December 2022	12 Months ended March 2022	9 Months ended December 2021	12 Months ended March 2021	12 Months ended March 2020	12 Months ended March 2019
Revenue	4,543,167	5,915,095	4,528,369	4,232,513	5,341,789	5,425,803
Gross profit	709,593	990,796	809,474	(393,695)	407,845	1,084,497
Operating profit	321,701	283,671	340,330	(1,263,660)	(349,737)	318,462
Net profit	94,645	38,030	82,645	(1,467,318)	(681,153)	138,050

#### 1.2 Comparing activity results with the previous same period

(SAR'000s)	9 Months ended December 2022	9 Months ended December 2021	Change	Percentage of change
Revenue	4,543,167	4,528,369	14,798	0%
Cost of revenue	(3,833,574)	(3,718,896)	(114,679)	3%
<b>Gross profit</b>	<b>709,593</b>	<b>809,474</b>	(99,881)	(12)%
Operating expenses	(387,892)	(469,144)	81,252	(17)%
<b>Operating profit</b>	<b>321,701</b>	<b>340,330</b>	(18,629)	(5)%
<b>Net profit</b>	<b>94,645</b>	<b>82,645</b>	12,000	15%

## 2. Accounting Standards

The Company has fully completed the transformation of preparing the consolidated financial statements; whereby the international accounting standards replaced the accounting standards issued by the Saudi Organization for Certified Public Accountants to the international accounting standards.



### 3. Subsidiaries and Their Associates

No	Subsidiaries	Country of Incorporation	Business Activity	Ownership interest held by the Group as at:	
				31 December 2022	31 March 2022
1	Al Waheedah Equipment Co. Ltd.	Kingdom of Saudi Arabia	Retail	100	100
2	Haifa B. Al Kalam & Partners Co. for Trading	Kingdom of Saudi Arabia	Retail	100	100
3	Saudi Retail Co. Ltd	Kingdom of Saudi Arabia	Retail	100	100
4	Wahba Trading Company Limited	Kingdom of Saudi Arabia	Retail	100	100
5	Unique Technology Trading Company	Kingdom of Saudi Arabia	Retail	100	100
6	Nesk Trading Projects Company	Kingdom of Saudi Arabia	Retail	100	100
7	Innovative Union Company (IUC)	Kingdom of Saudi Arabia	Food and Beverage	100	100
8	Al Hokair Retail Academy	Kingdom of Saudi Arabia	Training Center	100	100
9	Food Gate Company	Kingdom of Saudi Arabia	Food and Beverage	70	70
10	Logistics Fashion Trading DWC-LLC	United Arab Emirates	Retail	100	100
11	Fashion Retail Kazakhstan LLP	Republic of Kazakhstan	Retail	100	100
12	Global Apparel Kazakhstan LLP	Republic of Kazakhstan	Retail	100	100
13	Retail Group Georgia LLC	Georgia	Retail	100	100
14	Master Retail Georgia LLC	Georgia	Retail	100	100
15	Spanish Retail Georgia LLC	Georgia	Retail	100	100
16	Pro Retail Georgia LLC	Georgia	Retail	100	100
17	Best Retail Georgia LLC	Georgia	Retail	100	100
18	Mega Store Georgia LLC	Georgia	Retail	100	100
19	Fashion Retail Georgia LLC	Georgia	Retail	100	100
20	Global Apparel Georgia LLC	Georgia	Retail	100	100
21	Retail Group Holding LLC	Georgia	Retail	100	100
22	Master Home Retail	Georgia	Retail	100	100
23	International Retail of Morocco	Morocco	Retail	100	100
24	Multi Trends Co.	Morocco	Retail	100	100
25	Retail Group of America LLC	United States of America	Entertainment	100	100
26	Billy Beez USA	United States of America	Entertainment	100	100
27	Retail Group Balkans doo Beograd	Republic of Serbia	Retail	100	100
28	Retail Fashion doo, Belgrade	Republic of Serbia	Retail	100	100
29	Retail Group Balkans doo Podgorica	Balkan Peninsula	Retail	100	100

No	Subsidiaries	Country of Incorporation	Business Activity	Ownership interest held by the Group as at:	
				31 December 2022	31 March 2022
30	Retail Group Balkans doo Skopje	Balkan Peninsula	Retail	100	100
31	RIGE Co.	Arab Republic of Egypt	Retail	99	99
32	Retail Group Egypt Co. S.A.E	Arab Republic of Egypt	Retail	98	98
33	Retail Group Armenia CJSC	Armenia	Retail	96	96
34	Spanish Retail CJSC	Armenia	Retail	100	100
35	ZR Fashion Retail CJSC	Armenia	Retail	100	100
36	Global Apparel CJSC	Armenia	Retail	100	100
37	BR Fashion Retail CJSC	Armenia	Retail	100	100
38	Master Retail CJSC	Armenia	Retail	100	100
39	Best Retail CJSC	Armenia	Retail	100	100
40	Retail Group CJSC	Armenia	Retail	100	100
41	Pro Retail CJSC	Armenia	Retail	100	100
42	Factory Prices CJSC	Armenia	Retail	100	100
43	Retail Group Jordan Co. LDT	Hashemite Kingdom of Jordan	Retail	100	100
44	Nesk Trading Projects LLC	Hashemite Kingdom of Jordan	Retail	100	100
45	Models Own Holding Limited	United Kingdom	Retail	51	51
46	Models Own Limited	United Kingdom	Retail	51	51
47	Models Own International Ltd.	United Kingdom	Retail	51	51
48	Retail Group Azerbaijan LLC	Azerbaijan	Retail	85	85
49	Fashion Retail Azerbaijan LLC	Azerbaijan	Retail	85	85
50	Spanish Retail Azerbaijan LLC	Azerbaijan	Retail	85	85
51	Global Apparel Azerbaijan LLC	Azerbaijan	Retail	85	85
52	Mega Store Azerbaijan LLC	Azerbaijan	Retail	85	85
53	Master Retail Azerbaijan LLC	Azerbaijan	Retail	85	85
54	Pro Retail Azerbaijan LLC	Azerbaijan	Retail	85	85
55	Retail Group Holding LLC	Azerbaijan	Retail	85	85
56	Best Retail Azerbaijan LLC	Azerbaijan	Retail	85	85

(1) Investments in Haifa Badi Al-Qalam and its international trading companies, Al-Waheed Equipment Co., Ltd., and the Saudi Retail Company Ltd., and Wahba Trading Co., Ltd. are 95% owned by the Company directly and 5% are mutually owned.

(2) Haifa Badi Al-Qalam and its global trading partners directly and indirectly own some subsidiaries operating in Georgia, Armenia, the United States of America, Morocco, the United Arab Emirates, the United Kingdom and the Balkans, in addition to other stagnant and inactive subsidiaries in the United Arab Emirates and the British Virgin Islands.

(3) Al Wahidah Equipment Company Limited directly and indirectly owns the subsidiary companies operating in Azerbaijan and the United Arab Emirates (the "INC" sign), in addition to other stagnant and inactive subsidiaries in the United Arab Emirates.

(4) Wahba Trading Company Limited directly and indirectly owns some stagnant subsidiaries that are suspended in the Kingdom of Saudi Arabia and the United Arab Emirates.

(5) The Kazakhstan Group represents three facilities: The Kazakhstan Retail Management Company, the Kazakhstan Fashion Trading Company, and the Kazakhstan International Fashion Company.

#### 4. Shares and Debt Instruments Issued by Subsidiaries

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

#### 5. Dividend Policy

The general policy of paying out the Company's annual net profits after deducting all general expenses and other costs is controlled by the terms and conditions of the Articles of Association as follows:

- (A) (10%) of the net profits shall be carried to the Company's statutory reserve, and the Ordinary General Assembly may resolve to withhold such appropriation when the said reserve reaches (30%) of the paid-up capital.
- (B) The Ordinary General Assembly may resolve on the recommendation of the Board of Directors, to keep aside a percentage of the net profits to form a consensual reserve to support the financial position of the Company.
- (C) The Ordinary General Assembly may resolve to form any other reserve to the extent that it achieves the Company's interest or ensures the distribution of fixed profits as much as possible to the shareholders. The aforementioned Assembly may also deduct provisions from the net profits to establish social institutions for the Company's employees or to help the existing ones.
- (D) Afterwards, 5% of the paid-up capital of the Company may then be distributed to the shareholders.
- (E) Subject to the provisions stipulated in Article Twenty-One of the Company's Articles of Association and the Seventy-Sixth Article of the Companies' Law, a percentage of no more than 5% of the remainder shall be allocated as remuneration to the members of the Board of Directors provided that the payment of this remuneration is proportional to the number of sessions every member attends.
- (F) The remainder may then be distributed to the shareholders as an additional dividend. The Board of Directors, after obtaining an annually renewed authorization from the Ordinary General Assembly, may distribute interim dividends to the Company's shareholders on a semi-annual or quarterly basis, as per the controls of the competent authority.

##### 5.1 Proposal to distribute the net profit for the year ended December 2022

Statement	SAR
<b>Balance at 01 April 2022 (restated)</b>	<b>(1,340,996,552)</b>
<b>Add</b>	
Profit/(loss) for the year	93,630,032
Other comprehensive (loss) / income	2,846,420
Capital reduction	952,335,520
<b>Deduct</b>	
Statutory reserve (10%)	--
Proposed dividend of SAR ..... per share	--
<b>Balance at 31 December 2022</b>	<b>(292,184,580)</b>

#### 6. A Description of Interests in the Category of Voting Shares

There are no interests in the category of voting shares.

#### 7. Description of Interests, Rights of Option, and Subscription Rights of Members of the Board of Directors, Senior Executives, their Spouses, and Minors in Shares and Debt Instruments Issued by the Company or its Subsidiaries

There are no interests, option rights, or subscription rights belonging to any of the members of the Board of Directors, the Company's senior executives, their spouses, or their minor children in shares or debt instruments issued by the Company or its subsidiaries, other than what is mentioned regarding the members of the Board of Directors in section 12.5 of the report.

#### 8. Loans Against the Company and its Subsidiaries and the Amounts Paid During the Year

During 2022, the Group signed a Murabaha term financing agreement with a Riyadh Bank amounting to SAR 150 million. As per the terms of the agreement, the term of the Murabaha facility is for a period of three years including a six months grace period. The facility is repayable in 36 monthly installments commencing after six months from the date of signing the agreement. The agreement was signed in November 2022.

The details of these loans were as follows:

The creditor	Loan term	Loan principal	The loan amounts that were withdrawn during the year	Settlement of loans during the year	Loan balance as of 31 March, 2022
National Commercial Bank	84 months	2,877,891,969	-	(109,455,656)	2,768,436,313
Riyad Bank	36 months	-	150,000,000	-	150,000,000
SABB Bank	LC Refinance	-	15,754,535	-	15,754,535
Bank Al Etihad - Jordan	12 months	11,905,219	-	(3,849,278)	8,055,941
<b>Total</b>		<b>2,889,797,188</b>	<b>165,754,535</b>	<b>(113,304,934)</b>	<b>2,942,946,789</b>

#### 9. Description of Convertible Debenture

There is no convertible debenture issued by the Company.

#### 10. Description of Transfer or Subscription Rights

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

## 11. Description of Recovered or Canceled Debt Instruments of the Company and its Subsidiaries

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

## 12. Board of Directors

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

The Board of Directors is composed of nine members elected by the General Assembly for three years starting from 12/08/2020 to 11/08/2023.

Name	Nationality	Capacity	Membership status
Fawaz Abdul Aziz Al Hokair	Saudi	Chairman of the Board of Directors	Non-Executive
Eng. Omar Abdul Aziz Al-Mohammadi	Saudi	Vice President	Non-Executive
Dr. Abdul Majeed Abdul Aziz Al Hokair	Saudi	Member	Non-Executive
Eid Faleh Al Shamry	Saudi	Member	Independent
Khaled Walid Al-Shakhshir	Saudi	Member	Independent
Abdul Majeed Abdullah Al-Basri	Saudi	Member	Non-Executive
Basem Abdullah Al-Salloum	Saudi	Member	Independent
Mohamed Rafiq Murad*	Lebanon	Member	Executive
Ahmed Saleh Al-Sultan	Saudi	Member	Independent

\* Mohamed Rafiq Murad's membership changed from Non-Executive to Executive Board member on 01/05/2022

### 12.2 Experience and academic qualifications of Board members

Name	Qualification	Areas of expertise	Current role	Previous role
Fawaz Abdul Aziz Al Hokair	<ul style="list-style-type: none"> <li>Bachelor's degree in Economics and Accounting</li> <li>PhD in Economics and Accounting - Loughborough University, UK</li> </ul>	<ul style="list-style-type: none"> <li>Supervising the management of Fawaz Abdul Aziz Al Hokair &amp; Partners Real Estate Company</li> <li>Chairman of the Board of Directors of Arabian Centres Company</li> </ul>	Chairman of the Board of Directors - Fawaz Al Hokair Company	None
Eng. Omar Abdul Aziz Al-Mohammadi	<ul style="list-style-type: none"> <li>Bachelor's degree in Chemical Engineering and Economics - Vanderbilt University, USA</li> </ul>	<ul style="list-style-type: none"> <li>CEO - BATEC company</li> <li>Chief Executive Officer - Goldman Sachs, Saudi Arabia</li> <li>Head of Investment Banking Unit in Saudi Arabia - Barclays</li> <li>Member of the Advisory Board - Alchemist Trading Company</li> <li>Executive Board Member - Merchant Bridge Direct Investment Company</li> <li>Head of Middle East Unit - Dom Capital</li> </ul>	Chief Executive Officer - FAS Company	Chief Executive Officer - BATEC Corporation, Goldman Sachs Saudi Arabia
Dr. Abdul Majeed Abdul Aziz Al Hokair	<ul style="list-style-type: none"> <li>Bachelor's degree in Medicine and Surgery - King Saud University, KSA</li> </ul>	<ul style="list-style-type: none"> <li>Apparel, retail and food industries</li> </ul>	Member of the Board of Directors - Fawaz Al Hokair Company	Chairman of the Board of Directors - Fawaz Al Hokair Co.
Eid Faleh Al Shamry	<ul style="list-style-type: none"> <li>Bachelor's degree in Industrial Management Sciences, with honors - King Fahd University of Petroleum and Minerals, KSA</li> </ul>	<ul style="list-style-type: none"> <li>Fellowship of the American Board of Certified Public Accountants</li> <li>Member of the American Association of Certified Public Accountants since 1992</li> </ul>	Chief Executive Officer - Ithraa Finance	Deputy General Manager - Al-Seef Investment Company
Khaled Waleed Al-Shakhshir	<ul style="list-style-type: none"> <li>Bachelor's degree in Mechanical Engineering and Economics - Vanderbilt University, USA</li> <li>Executive program for Development of Social Responsibility Strategy</li> <li>Executive program for Building and Developing Strategies</li> </ul>	<ul style="list-style-type: none"> <li>Loss Prevention Engineer - Aramco</li> <li>Executive Director and Member of the Executive Committee - Unilever</li> <li>Managing Partner - Pure Consulting Company</li> </ul>	Managing Partner - Pure Consulting Company	Executive Director of Unilever Marketing and General Management



Name	Qualification	Areas of expertise	Current role	Previous role
Abdul Majeed Abdullah Al Basri	<ul style="list-style-type: none"> <li>Master's degree in Applied Financial Mathematics - University of Connecticut, USA</li> <li>Master's degree in Economics - University of Connecticut, USA</li> <li>Bachelor's degree in Finance - James Madison University, USA</li> </ul>	<ul style="list-style-type: none"> <li>Head of Treasury - Fawaz Abdul Aziz Al Hokair &amp; Partners Group</li> <li>Portfolio Manager - Samba Capital Auditor - Aldar Audit Office</li> </ul>	Chief Financial Officer - Cenomi Group	Head of Treasury - Almarai Company
Basem Abdullah Al-Salloum	<ul style="list-style-type: none"> <li>Master's degree in Executive Leadership Development Program - Harvard University, USA</li> <li>Master's degree in Information Technology Consulting - Kent University, USA</li> <li>Bachelor's degree in English Literature - Imam Mohammad Ibn Saud Islamic University, KSA</li> </ul>	<ul style="list-style-type: none"> <li>Deputy Governor for Media and Marketing Affairs - General Investment Authority</li> <li>Member of the Board of Directors - Saudi Export Development Authority</li> <li>Member of the Board of Directors - Al-Faleh Sports House Company</li> <li>Managing Director and CEO - SURE International Technology Company</li> </ul>	Managing Director and Chief Executive Officer - SURE International Technology Company	Member of the Board of Directors - Al-Faleh Sports House Company
Mohamed Rafiq Murad	<ul style="list-style-type: none"> <li>Master's degree in Executive Business Administration - The Business School for the World (INSEAD)</li> <li>Bachelor's degree in Economics/Business Administration - Lebanese American University, Lebanon</li> </ul>	<ul style="list-style-type: none"> <li>Investment and Audit Committee of the Board of Directors - Emaar Group Company</li> <li>Investment Committee - Middle East Project Partners</li> <li>Director of Business Development, Emerging Markets of YouTube - Google Company</li> <li>Director and Consultant of Strategy (Dubai/ Riyadh) - Bose Corporation</li> <li>Director of Business Development, MENA and Turkey (Dubai / Jeddah) - Mars Company</li> <li>Regional Manager (Lagos / Nigeria) - Radioactive Engineering</li> </ul>	Managing Director and CEO - Cenomi Group	Vice President - International Partners, San Francisco
Ahmed Saleh Al-Sultan	<ul style="list-style-type: none"> <li>Master's degree in Business Administration - Brunel University, UK</li> <li>Bachelor's degree in Finance</li> <li>Master's degree in Management - Qassim University, KSA</li> </ul>	<ul style="list-style-type: none"> <li>Operations Manager NESC - Commercial Projects Company</li> <li>Executive Vice President - NESC Commercial Projects Company</li> <li>Chief Executive Officer - Thobe Al Aseel Company</li> </ul>	Chief Executive Officer - Thobe Al Aseel Company	Executive Vice President - NESC for Commercial Projects Company

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

Member name	Names of companies where a member of the Board of Directors is a current member of the Board of Directors or one of their managers			Names of companies where a member of the Board of Directors is a previous member of the Board of Directors or one of their managers		
	Inside the Kingdom/ Outside the Kingdom	Legal entity (listed shareholding/ unlisted/ limited liability)	Legal entity (listed shareholding/ unlisted/ limited liability)	Inside the Kingdom/ Outside the Kingdom	Legal entity (listed shareholding/ unlisted/ limited liability)	Legal entity (listed shareholding/ unlisted/ limited liability)
Fawaz Abdul Aziz Al Hokair	FAS Saudi Holding Company	Inside the Kingdom	Closed joint stock company	Azizia Panda United Company	Inside the Kingdom	Closed joint stock company
	Saudi Medical Company	Inside the Kingdom	Closed joint stock company			
	Arabian Centres Company	Inside the Kingdom	Listed joint stock company			
	FAS Saudi Holding Company	Inside the Kingdom	Limited liability			
	Downtown Saudi Company	Inside the Kingdom	Limited liability			
	Muvi Cinemas Company	Inside the Kingdom	Closed joint stock company			
	Star Energy Company	Inside the Kingdom	Limited liability			
	Al Farida First Properties	Inside the Kingdom	Limited liability			
Mr. Omar Abdul Aziz Al-Mohammadi	Emaar Mixers	Inside the Kingdom	Limited liability			
	FAS Saudi Holding Company	Inside the Kingdom	Unlisted joint stock company	Patek Investment Company and Logistical Support	Inside the Kingdom	Listed joint stock company
	Citibank Group	Inside the Kingdom	Unlisted joint stock company	Al Reef Sugar Refining Company	Inside the Kingdom	Unlisted joint stock company
Dr. Abdul Majeed Abdul Aziz Al Hokair	Arabian Centres Company	Inside the Kingdom	Listed joint stock company	Jazan Energy and Development Company	Inside the Kingdom	Listed joint stock company
	FAS Saudi Holding Company	Inside the Kingdom	Closed joint stock company	Fas Construction Company	Inside the Kingdom	Limited liability
	Saudi Medical Company	Inside the Kingdom	Unlisted joint stock company	Abdul Majeed Abdul Aziz Al Hokair & Sons Holding Company	Inside the Kingdom	Limited liability

Member name	Names of companies where a member of the Board of Directors is a current member of the Board of Directors or one of their managers	Inside the Kingdom/ Outside the Kingdom	Legal entity (listed shareholding/ unlisted/ limited liability)	Names of companies where a member of the Board of Directors is a previous member of the Board of Directors or one of their managers	Inside the Kingdom/ Outside the Kingdom	Legal entity (listed shareholding/ unlisted/ limited liability)
<b>Eid Faleh Al Shamry</b>	Aldrees Petroleum Services Company	Inside the Kingdom	Listed joint stock company	Member of the Audit Committee of the French Bank	Inside the Kingdom	Listed joint stock company
	Gulf Shipping & Unloading Contracting	Inside the Kingdom	Limited liability	Alitco Company	Inside the Kingdom	Closed joint stock company
	Al Hassan Ghazi Ibrahim Shaker Company	Inside the Kingdom	Listed joint stock company	Amana Cooperative Insurance Company	Inside the Kingdom	Listed joint stock company
	Fawaz Al Hokair Company	Inside the Kingdom	Listed joint stock company	Al Saif RDB Company	Inside the Kingdom	Limited liability
	Taiba Investments	Inside the Kingdom	Limited liability	Development Company for Investment and Real Estate Development	Inside the Kingdom	Unlisted joint stock company
				Saudi Kidney Center Company	Inside the Kingdom	Limited liability
				Ithraa Medical Services Company	Inside the Kingdom	Limited liability
				Ithraa Investment and Real Estate Development Company	Inside the Kingdom	Limited liability
				Saudi Viva Company for Commercial Services	Inside the Kingdom	Limited liability
				Riyadh Technology Company	Inside the Kingdom	Limited liability
				Riyadh Modern Technology Company	Inside the Kingdom	Limited liability
				Viva Fit Investment Company	Inside the Kingdom	Limited liability
				Ithraa Company for Gymnasiums and Centers	Inside the Kingdom	Limited liability
				Ajir Investment Company	Inside the Kingdom	Limited liability

Member name	Names of companies where a member of the Board of Directors is a current member of the Board of Directors or one of their managers	Inside the Kingdom/ Outside the Kingdom	Legal entity (listed shareholding/ unlisted/ limited liability)	Names of companies where a member of the Board of Directors is a previous member of the Board of Directors or one of their managers	Inside the Kingdom/ Outside the Kingdom	Legal entity (listed shareholding/ unlisted/ limited liability)	
<b>Khaled Waleed Al-Shakhshir</b>	Net Consultancy Company	Inside the Kingdom	Closed joint stock company				
	Pure Sports Company	Inside the Kingdom	Limited liability				
	Rapid Distribution Company	Inside the Kingdom	Limited liability				
	Rapid Distribution Company	Inside the Kingdom	Limited liability				
	Asala Wood	Inside the Kingdom	Limited liability				
	Packaging technology	Inside the Kingdom	Limited liability				
	Mend Consulting	Inside the Kingdom	Limited liability				
<b>Abdul Majeed Abdullah Al-Basri</b>	Net Consultancy Company	Inside the Kingdom	Limited liability				
	Arabian Centers	Inside the Kingdom	Listed joint stock company				
<b>Basem Abdullah Al-Salloum</b>	Sure, International Technology Company	Inside the Kingdom	Limited liability	National Communications and Information Technology Committee	Inside the Kingdom	National Committee	
	Malath Cooperative Insurance Company	Inside the Kingdom	Public shareholding company				
	Mohammed Hussein Bin Yala & Sons Exchange Company	Inside the Kingdom	Joint company				
	Nabataty AIManzelyah	Inside the Kingdom	Limited liability				
	Sure, International Technology Company	Inside the Kingdom	Closed joint stock company				
	BAS Investments	Inside the Kingdom	Limited liability				
	<b>Mohamed Rafiq Murad</b>	Arabian Centers	Inside the Kingdom	Listed joint stock company			
	<b>Ahmed Saleh Al Sultan</b>	AlSaif Stores for Development and Investment Co.	Inside the Kingdom	Listed joint stock company			

## 12.4 Board meetings

The elected Board of Directors held two meetings during the year to discuss issues related to the financial year ending on 31 December 2022. The following table shows the details of the sessions and attendees:

Name	Session 29/06/2022	Session 18/10/2022	Total	Attendance rate
Fawaz Abdul Aziz Al Hokair	Did not attend	Attended	1	50%
Dr. Abdul Majeed Abdul Aziz Al Hokair	Attended	Attended	2	100%
Omar Abdul Aziz Al-Mohammadi	Did not attend	Attended	1	50%
Eid Faleh Al Shamry	Attended	Attended	2	100%
Ahmed Saleh Al-Sultan	Attended	Attended	2	100%
Mohamed Rafiq Murad	Attended	Attended	2	100%
Basem Abdullah Al-Salloum	Attended	Attended	2	100%
Khaled Waleed Al-Shakhshir	Attended	Attended	2	100%
Abdul Majeed Abdullah Al-Basri	Attended	Attended	2	100%

### Highlights of deliberations, recommendations and resolutions made by the Board of Directors were as follows:

Approving the annual achievements of the financial year ending on 31 March 2022. Recommending the General Assembly to reduce the capital of the Company. Approving the financial results for the first, and second quarters of the year ending on December 31 2022.

Approval of the Board of Directors report of the fiscal year ending on 31/3/2022 AD.

Approval of the Audit Committee's decision to appoint the chartered accountant BDO and recommending it to the General Assembly for approval.

Approving transactions with related parties during the fiscal year ending on 31/03/2022 AD. Issuing an order to present all transactions with related parties to the General Assembly.

## 12.5 The interests and rights of the members of the Board of Directors, their spouses and their minors

Name	Number of shares at the beginning of the year	Ownership percentage at the beginning of the year	Net change in the number of shares during the year	Percentage change during the year	Total number of shares at the end of the year	Ownership percentage at the end of the year
Fawaz Abdul Aziz Al Hokair*	14,700,000	7%	6,666,352	45.3%	8,033,648	7%
Dr. Abdul Majeed Abdul Aziz Al Hokair *	14,700,000	7%	6,715,493	45.7%	7,984,507	6.96%
Eid Faleh Al Shamry	-	0%	-	0.00%	N/A	0%
Omar Abdul Aziz Al-Mohammadi	-	0%	-	0.00%	N/A	0%
Ahmed Saleh Al-Sultan	-	0%	-	0.00%	N/A	0%
Basem Abdullah Al-Salloum	-	0%	-	0.00%	N/A	0%
Khaled Waleed Al-Shakhshir	-	0%	-	0.00%	N/A	0%
Abdul Majeed Abdullah Al-Basri	-	0%	-	0.00%	N/A	0%
Mohamed Rafiq Murad	-	0%	-	0.00%	N/A	0%

\*The main reason for the change in the shares of some members of the Board of Directors is due to the capital reduction, which was approved by the Extraordinary General Assembly on 29/06/2022

With the exception of the abovementioned, the Board members, their spouses or minors do not have option or subscription rights in the shares or debt instruments issued by the Company or any of its subsidiaries.

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

The Board of Directors provides all members, especially Non-Executives, with legal documents, financial reports, activity follow-up reports, future expansion studies, and Board reports, as well as rules, procedures, policies, and internal regulations that enable them to carry out their duties and discharge their responsibilities adequately, including being aware of the shareholders' proposals and remarks regarding the Company and its performance.

Additionally, a mechanism has been created for the Shareholder Affairs Department to deal with proposals and observations received from the shareholders.

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

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



## 12.8 Board sub-committees

The Company's Board of Directors has three sub-committees: The Audit Committee, the Nomination and Remuneration Committee, and the Executive Committee, which are described below.

### 12.8.1 Audit Committee

In its meeting dated 12/08/2020, the Ordinary General Assembly approved the formation of the Audit Committee for a period of three years, starting from the date of its first meeting. The members of the Committee are as follows:

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

Experience and qualifications of the members of the Audit Committee

Name	Qualification	Areas of expertise	Current role	Previous role
Eid Faleh Al Shamry	<ul style="list-style-type: none"> <li>Bachelor's degree in Industrial Management Sciences, with honors - King Fahd University of Petroleum and Minerals</li> </ul>	<ul style="list-style-type: none"> <li>Fellowship of the American Board of Certified Public Accountants</li> <li>Member of the American Association of Certified Public Accountants since 1992</li> </ul>	Chief Executive Officer - Ithraa Finance	Deputy General Manager - Al-Seef Investment Company
Dr. Suleiman Abdullah Al-Sukran	<ul style="list-style-type: none"> <li>Bachelor of Science in Industrial Management</li> <li>Master's degree in Administrative Sciences</li> <li>PhD</li> </ul>	<ul style="list-style-type: none"> <li>Associate Professor of Finance, Department of Finance and Economics, College of Industrial Management, King Fahd University</li> <li>Secretary General of the University Higher Education Fund</li> </ul>	Associate Professor of Finance, Department of Finance and Economics, College of Industrial Management, King Fahd University	Secretary General of the University Higher Education Fund
Saad Ibrahim Al-Mushawah	<ul style="list-style-type: none"> <li>Bachelor of Science in Industrial Management</li> </ul>	<ul style="list-style-type: none"> <li>Financial Analysis</li> <li>Project Manager</li> <li>Chief Executive Officer</li> </ul>	CEO of Gulf Union Food Company	Credit Team Leader Industrial Development Fund

The duties and responsibilities of the Audit Committee are as follows:

- Supervising the Internal Audit Department in order to verify its effectiveness in carrying out the works and tasks designated by the accounting policies approved by the Board of Directors and related bodies.
- Studying the internal audit reports and following up the implementation of corrective actions for the observations contained therein.
- Raising recommendations to the General Assembly for the appointment of external auditors, termination of their assignment, determining their costs, ensuring their independence and follow-up their work while studying and reviewing the audit plan with the external auditor and approving of the same.
- Studying the external auditor's comments on the company's financial statements, following up what has been done about them and studying the quarterly and annual financial statements before submitting them to the Board of Directors and expressing opinion and recommendation thereon.
- The responsibility for the validity of the financial statements rests entirely on the Executive Management, and the responsibility of the Audit Committee is limited to expressing an independent opinion based on what is presented to it by the company's management, the Internal Audit Department, and the external auditor.
- Evaluate the effectiveness of the company's assessment of significant risks and the steps taken by the company's management to monitor and respond to these risks, giving opinion and recommendation to the Board of Directors in this regard.
- Issuing an annual report to the General Assembly that includes details of the committee's performance on its terms of reference and duties stipulated in the Companies Law and its implementing regulations, provided that the report includes the committee's recommendations and opinion on the efficiency of the internal control systems, financial and risk management systems of the Company.
- Submitting an annual report to the shareholders describing the composition of the Committee, its responsibilities, how they are conducted and any other information required by the competent authorities including approval of non-audit services.

During the year, the Committee held 11 meetings. The Committee members' attendance of the meetings was as follows:

Members	Eid Faleh Al Shamry	Dr. Suleiman Abdullah Al-Sukran	Saad Ibrahim Al-Mushawah
21/04/2022	Attended	Attended	Attended
31/05/2022	Attended	Attended	Attended
29/06/2022	Attended	Attended	Attended
07/07/2022	Attended	Attended	Attended
04/08/2022	Attended	Attended	Attended
11/08/2022	Attended	Attended	Attended
17/09/2022	Attended	Attended	Attended
27/10/2022	Attended	Attended	Attended
30/10/2022	Attended	Attended	Attended
01/11/2022	Attended	Attended	Attended
29/12/2022	Attended	Attended	Attended

On 28/12/2022 the Extraordinary General Assembly of the Company's shareholders approved the amendment of Article 43 of the Company's Articles of Association to change the end of the company's fiscal year to the end of December of each calendar year instead of the end of March.

**Committee work done:**

1. Review the annual and quarterly financial statements of the Company and submit recommendations to the Board of Directors for approval as per the recommendation of the external auditor.
2. The continued appointment of the "Crow" Auditing Firm to provide internal audit services in cooperation with the Internal Audit Department.
3. During the period (15), Crowe issued an audit report that was presented and discussed with the concerned departments, senior management, the CEO and the Audit Committee. Given the importance of what was stated therein, the Audit Committee confirmed this by submitting these reports to the Board of Directors through several letters.
4. The Committee communicated with the Board of Directors to date through 15 reports on very important issues, addressing the effectiveness of internal audit processes, the improvement of Human Resources policies and inventory management as well as highlighting some remarks on the administrative front for the Board to review and take the necessary actions.

It is worth mentioning that upon receiving the above reports, the Board instructed the Executive Management to review them and offer the appropriate measures to resolve all issues identified.

In turn, the Executive Management has developed an action plan to address the shortcoming and is coordinating with the Committee to monitor and verify its effectiveness.

5. Sending a letter to the external auditor on 15 February 2023 to verify some of the essential procedures and decisions taken by the Company during the year in relation to changing the fiscal year and the results of the Inditex stock inventory, and verifying the validity of the followed procedures and their compatibility with accounting policies.
6. Holding several meetings with both the external auditor and the internal auditor of the Company, and making sure that the company's management has made available to them all the data and information required to perform their work.
7. Reviewing and approving the annual plan, annual evaluation, increases and rewards for the Internal Audit Department.
8. Reviewing and approving the internal audit charter, manual and protocols.
9. Appointing newly graduated Saudi cadres in the Internal Audit Department to support Saudization and to transfer expertise.
10. Review the annual report of the internal audit and follow up on the implementation of the observations and recommendations of internal audit.

**12.8.2 Nomination and Remuneration Committee**

At its meeting on 17 August 2020, the Board of Directors approved the appointment of the members of the Nomination and Remuneration Committee as follows:

Members	Nationality	Membership status	Membership category
Khaled Walid Al-Shakhshir	Saudi	Chairman	Independent
Omar Abdul Aziz Al-Mohammadi	Saudi	Member	Non-Executive
Abdul Majeed Abdullah Al-Basr	Saudi	Member	Non-Executive
Mohamed Rafiq Murad*	Lebanon	Member	Non-Executive

\* Mohamed Rafiq Murad resigned on 25/08/2022 after his membership changed from Non-Executive to Executive Board member

**12.8.2.1 Experience and qualifications of the members of the Nomination and Remuneration Committee**

Name	Qualification	Areas of expertise	Current role	Previous role
Khaled Waleed Al-Shakhshir	<ul style="list-style-type: none"> <li>Bachelor's degree in Mechanical Engineering and Economics - Vanderbilt University, USA</li> <li>Executive program for Development of Social Responsibility Strategy</li> <li>Executive program for Building and Developing Strategies</li> </ul>	<ul style="list-style-type: none"> <li>Loss Prevention Engineer - Aramco</li> <li>Executive Director and Member of the Executive Committee - Unilever</li> <li>Managing Partner - Net Business Consultancy Company</li> </ul>	Executive Director - Unilever Marketing and General Management	Managing Partner - Net Business Consultancy Company
Eng. Omar Abdul Aziz Al-Mohammadi	<ul style="list-style-type: none"> <li>Bachelor's degree in Chemical Engineering and Economics - Vanderbilt University, USA</li> </ul>	<ul style="list-style-type: none"> <li>CEO - BATEC Company</li> <li>Chief Executive Officer - Goldman Sachs Saudi Arabia</li> <li>Head of Investment Banking Unit in Saudi Arabia - Barclays</li> <li>Member of the Advisory Board - Alchemist Trading Company</li> <li>Executive Board Member - Merchant Bridge Direct Investment Company</li> <li>Head of Middle East Unit - Dom Capital</li> </ul>	Chief Executive Officer - FAS Company	Chief Executive Officer - BATEC Corporation, Goldman Sachs Saudi Arabia
Abdul Majeed Abdullah Al-Basri	<ul style="list-style-type: none"> <li>Master's degree in Applied Financial Mathematics - University of Connecticut, USA</li> <li>Master's degree in Economics - University of Connecticut, USA</li> <li>Bachelor's degree in Finance - James Madison University, USA</li> </ul>	<ul style="list-style-type: none"> <li>Head of Treasury - Fawaz Abdul Aziz Al Hokair &amp; Partners Group</li> <li>Head of Treasury - Fawaz Abdul Aziz Al Hokair &amp; Partners Group</li> <li>Portfolio Manager - Samba</li> <li>Capital Auditor - Aldar Audit Office</li> </ul>	Chief Financial Officer - FAS Group	Head of Treasury - Almarai Company
Mohamed Rafiq Murad	<ul style="list-style-type: none"> <li>Master's degree in Executive Business Administration - The Business School for the World (INSEAD)</li> <li>Bachelor's degree in Economics/Business Administration - Lebanese American University, Lebanon</li> </ul>	<ul style="list-style-type: none"> <li>Investment and Audit Committee of the Board of Directors - Emaar Group Company</li> <li>Investment Committee - Middle East Project Partners</li> <li>Director of Business Development, Emerging Markets of YouTube - Google Company</li> <li>Director and Consultant of Strategy (Dubai/Riyadh) - Bose Corporation</li> <li>Director of Business Development, MENA and Turkey (Dubai / Jeddah) - Mars Company</li> <li>Regional Manager (Lagos / Nigeria) - Radioactive Engineering</li> </ul>	Managing Director and CEO - Arabian Centres Company	Vice President of International Partners - San Francisco

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

The following highlights the ordinary activities carried out by the Committee to discharge its responsibilities. It is a rule of thumb that in addition to such activities, the Committee may assume further roles and approve other policies and procedures that address the commercial, legislative, regulatory and legal changes. Furthermore, the Committee may shoulder other responsibilities related to the Committee's purposes as they may be, from time to time, assigned by the Board of Directors:

1. The Committee shall be responsible for laying out policies and practices of compensation and remuneration of the Company staff including the members of the Board of Directors.
2. The Committee shall nominate the individuals qualified for Board membership and make recommendations to the Board on candidates in accordance with definite policies and standards. The Committee shall further submit candidate recommendations to be appointed by the Board in the event of a vacant position (or in the case of expanding the Board).
3. Proposing definitive policies and standards that control the membership of the Board of Directors and the Executive Management.
4. Preparing a description of capabilities and qualifications for members of the Board and roles of the Executive Management.
5. Identifying the amount of time to be allocated by the members for the Board activities and functions.
6. On nomination, the Committee shall consider any factors it deems appropriate including discretion, adeptness, diversity and expertise. Additionally, the Committee ensures that the candidate has not previously been convicted of a moral turpitude crime and the contribution they would make to the Board or the committees. The Committee shall, at its sole discretion, review the candidates nominated by the shareholders or the Company's management.
7. The Committee reviews the formation of every Board sub-committee and submits its recommendation of appointments of the committee members to the Board.
8. The Committee may recommend adding members to the committees to fill vacant positions when required.
9. The Committee shall annually review the capabilities and expertise required for Board membership and the functions of the Executive Management.
10. The Committee shall periodically review the structures of the Board and Executive Management and make recommendations on the changes required in this regard.
11. Ensuring, on an annual basis, the independence of the independent members, and the absence of any conflict of interest if the member is a member of the Board of Directors of another company.
12. Developing a job description for the Executive, Non-Executive and independent members as well as senior executives.
13. The Committee shall assist the Board of Directors with selecting and assessing the candidates nominated for the Executive Management positions including the Chief Executive Officer, and with supervising the succession plans of Executive Managers.
14. The Committee shall annually assess the overall performance of the Board of Directors and make the required arrangements for the Board to assess its own performance.
15. The Committee shall establish definite policy organizing the remunerations of the members of the Board, its sub-committees and the Executive Management. The policy shall be submitted to the Board for review before being approved by the General Assembly. The policy shall apply, disclose and verify the execution of performance-related standards.
16. The Committee shall be directly responsible for reviewing and approving the Company's objectives associated with the remuneration of the CEO, which will act as the parameters to measure the CEO's performance on an annual basis. In the event of long-term incentives, the Committee shall consider factors including outcomes of the Company's activities, the relative return to shareholders, and the similar incentive amounts received by CEOs of similar companies.
17. The Committee shall submit its recommendations on the remunerations of the members of the Board, its sub-committees and the Executive Managers, and on plans of incentives and shareholding.
18. The Committee shall review the compensation and remuneration system including incentives, end of service benefits, pension plans and benefits of employees other than directors and senior executives. The system shall be aligned with the Company's human resources strategy.
19. The Committee shall conduct a periodic review of the Company's plans related to recruiting, developing, promoting and retaining employees. Such plans shall be in line with the Company's human resource strategy.
20. The Committee shall prepare and issue an annual report of the remunerations of the Board Members and Executive Managers as well as other reports as may be required by the related laws and regulations. The report shall account for the relation between the paid remuneration and the applicable award policy while stating any material deviation from the mentioned policy.
21. The Committee shall periodically review the remuneration policy and assess its effectiveness in delivering its objectives.
22. The Committee shall evaluate its own performance on an annual basis and submit the results to the Board of Directors. The evaluation shall include performance levels and the observation by each member of the Committee's activities and responsibilities.
23. The Committee periodically reviews and re-evaluates the adequacy of these regulations and submits its recommendations to the Board of Directors on amendments it deems necessary or required. The Committee shall conduct such reviews and assessments in the manner it deems appropriate.

Over the last year, the Committee held one meeting and discussed the following:

- Annual checking for independency of independent Board members.
- Periodic review of the Board and Executive Management compensation policy, and assess the effectiveness to achieve the intended goals.
- Reviewed the Board structure and Executive Management structure, and recommending to the Board any possible changes to develop the structure.
- Reviewed the appointment of interim CEO.



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

Members	Meeting 11/09/2022	Attendance rate
Khaled Waleed Al-Shakhshir	Attended	100%
Omar Abdul Aziz Al-Mohammadi	Attended	100%
Abdul Majeed Abdullah Al-Basri	Attended	100%

### 12.8.3 Executive Committee

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

On 6 February 2022, the Board of Directors resolved to reform the Executive Committee by increasing the number of members. Mr. Mohamed Rafiq Murad was appointed as Chairman of the Committee

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

The following table shows the attendance:

Members	Dr. Abdul Majeed Al Hokair	Abdul Majeed Al-Basri	Omar Al-Mohammadi	Marwan Aziz Moukarzel	Mohamed Rafiq Murad
28-12-2022	Attended	Attended	Did not attend	Did not attend	Attended

Name	Qualifications	Areas of expertise	Current role	Previous role
Eng. Omar Abdul Aziz Al-Mohammadi	<ul style="list-style-type: none"> <li>Bachelor's degree in Chemical Engineering and Economics -Vanderbilt University, USA</li> </ul>	<ul style="list-style-type: none"> <li>CEO - BATEC Company</li> <li>CEO - Goldman Sachs Saudi Arabia</li> <li>Head of Investment Banking Unit in Saudi Arabia - Barclays</li> <li>Member of the Advisory Board - Alchemist Trading Company</li> <li>Executive Board Member - Merchant Bridge Direct Investment Company</li> <li>Head of Middle East Unit - Dom Capital</li> </ul>	CEO - FAS Company	CEO - BATEC Corporation
Dr. Abdul Majeed Abdul Aziz Al Hokair	<ul style="list-style-type: none"> <li>Bachelor's degree in Medicine and Surgery</li> </ul>	<ul style="list-style-type: none"> <li>Apparel, retail and food industries</li> </ul>	Member of the Board of Directors - Fawaz Al Hokair Company	Chairman of the Board of Directors - Fawaz Al Hokair Co.
Marwan Aziz Moukarzel	<ul style="list-style-type: none"> <li>Master of Business Administration</li> </ul>	<ul style="list-style-type: none"> <li>15 years of experience in retail sales</li> </ul>	CEO international - FAS Group	CEO - Fawaz Abdulaziz Alhokair & Co.
Abdul Majeed Abdullah Al Basri	<ul style="list-style-type: none"> <li>Master's degree in Applied Financial Mathematics - University of Connecticut, USA</li> <li>Master's degree in Economics - University of Connecticut, USA</li> <li>Bachelor's degree in Finance - James Madison University - USA</li> </ul>	<ul style="list-style-type: none"> <li>Head of Treasury - Fawaz Abdul Aziz Al Hokair &amp; Partners Group</li> <li>Portfolio Manager - Samba Capital Auditor - Aldar Audit Office</li> </ul>	CFO - FAS Group	Head of Treasury - Almarai Company
Mohamed Rafiq Murad	<ul style="list-style-type: none"> <li>Master's degree in Executive Business Administration - The Business School for the World (INSEAD)</li> <li>Bachelor's degree in Economics/ Business Administration - Lebanese American University, Lebanon</li> </ul>	<ul style="list-style-type: none"> <li>Investment and Audit Committee of the Board of Directors - Emaar Group Company</li> <li>Investment Committee - Middle East Project Partners</li> <li>Director of Business Development, Emerging Markets of YouTube - Google Company</li> <li>Director and Consultant of Strategy (Dubai/Riyadh) - Bose Corporation</li> <li>Director of Business Development, MENA and Turkey (Dubai / Jeddah) - Mars Company</li> <li>Regional Manager (Lagos / Nigeria) - Radioactive Engineering</li> </ul>	Managing Director and CEO - Arabian Centres Company	Vice President of International Partners - San Francisco

### Functions of the Executive Committee

In addition to the functions and roles of the Executive Committee stipulated in the Governance Regulations, the Committee may take any action conducive to realizing its goals and discharging its responsibilities, including the following:

1. Reviewing Company's strategic and operational plans and making comments and recommendations before being submitted the Board of Directors.
2. Reviewing feasibility studies of new investment projects and making recommendations.
3. Reviewing and initially approving the key issues that need to be decided by the Board of Directors.
4. Making decisions on issues referred to the Committee by the Board which fall outside the purview of the Company's Managing Director and the CEO. Such issues may include investments, human resources, compensations, IT, capital expenses, procurements and other issues within the limits of the Committee.
5. Setting the Company's investment Policies and objectives including:
  - a. The assets eligible for investment in accordance with the applicable laws
  - b. Determining the types of assets
  - c. The long-term policies and objectives related to investments, risk tolerance levels, varied assets, investment currencies and choosing between domestic and international investment
  - d. Identifying arrangements of investment managements and trusteeships
  - e. Appointing and periodically assessing managers and trustees of investment portfolios
  - f. Setting the mechanisms and periodic cycles of performance assessment
  - g. Approving investment operations of all types in line with the specific investment policy. The Committee may, within certain financial limits, delegate its approval powers to the CEO/CFO to exercise such powers jointly or separately
  - h. Reviewing the Company's investment policy in light of performance assessment
  - i. Evaluating investment outcomes to assess the feasibility of the executed investment strategies. The Committee presents a report to the Board of Directors on the investment outcomes and ensures that the investment policy and key guidelines are observed
6. Concluding short and long-term investment agreements, credit and loan agreements within the limits of its powers.
7. Following up on the implementation and development of the Company's organizational structures and making decisions that ensure speedy implementation and development.
8. Reviewing the administrative regulations with the Company's management to make decisions that enable the management to put such regulations into practice.
9. Communicating with senior officials in government and private sector to overcome difficulties encountering the Company's business and explain its programs to the officials.
10. Reviewing and following up the implementation of all the Company's projects, making decisions within the Committee's powers, discussing the obstacles encountered in implementing the various projects, clarifying their causes and how to address them, and recommending appropriate solutions to them.
11. Evaluating designs and technical specifications and making appropriate recommendations.
12. Making the appropriate decisions regarding the topics that the Board of Directors delegates to the Committee to discuss and review, and making the right decisions on them.
13. Taking any action that would advance the Company's business and achieve its objectives within the rules, regulations and decisions issued by the Board.
14. Carrying out purchases and acquisitions of existing or future projects within its powers.
15. Studying the proposals submitted by the Company's management in favor of achieving the Company's objectives or advancing its administrative, financial and operational work, and making decisions that enable the Executive Management to speed up implementation or submitting such proposals to the Board as the Committee deems necessary.
16. Carrying out the tasks referred to the Board or its Chairman for review or implementation.

### 13. Contracts in Which There Are Interests of Board Members and Senior Executives

The Company is an affiliate of Fawaz Abdul Aziz Al Hokair & Partners Group (the "Group"), and it is engaged in contracts with the Group companies. Such contracts include lease agreements for a number of shops with the Arabian Centers Company. Accordingly, the Company obtained competitive rental values for similar market prices in proportion to the Company's business volume in the Saudi market, in addition to its privileged locations in the finest commercial centers and malls in various parts of the Kingdom. The locations include Dhahran Mall, Khurais Plaza, Sahara Plaza Commercial Center, Al Salam Mall, Mall of Arabia, Al Nakheel Plaza Mall, Aziz Mall, Al Noor Mall and others.

In addition, there are contracts for establishing, equipping and modifying the decorations of the sales shops with Fawaz Abdulaziz Al Hokair & Partners Real Estate Company. By virtue of such contracts, the Company utilized the Group's experience in this field to ensure implementation at a level consistent with the requirements of international commercial agencies and speed of implementation. It is in the interest of the Company and in support of its activities to continue with these transactions.

During the fiscal year ending on 31/12/2022 AD, the transactions with related parties were as follows:

- An amount of SAR 262 million, the value of rents paid to Arabian Centers Company owned by FAS Holding Company, which is owned directly and indirectly by: Fawaz bin Abdulaziz Al Hokair, Salman bin Abdulaziz Al Hokair and Abdul Majeed bin Abdulaziz Al Hokair. At the end of the year, there were 538 new shops rented from Arabian Centers Company, as follows:

Total	Duration of the contract	Number of rented shops in the mall	City	Name of the mall
29	3 years	28	Medina	Al Noor Mall
	3.5 years	1		
28	3 years	27	Jeddah	Aziz Mall
	3.5 years	1		
18	3.5 years	14	Hofuf	Al Ahsa Mall
	5 years	3		
	10 years	1		
28	1 year	1	Jeddah	Haifa Mall
	3 years	23		
	8 years	3		
	4.5 years	1		
34	3 years	32	Taif	Jouri Mall
	3.5 years	2		
21	1 year	1	Jubail	Jubail Mall
	3.5 years	2		
1	3 years	18	Riyadh	Khurais Plaza
	3 years	1		
29	3 years	28	Makkah	Mecca Mall
	5 years	1		

Total	Duration of the contract	Number of rented shops in the mall	City	Name of the mall
52	2.5 years	1	Jeddah	Arab Mall
	3 years	45		
	5 years	2		
	7 years	4		
48	2 years	20	Dammam	Dhahran Complex
	2.5 years	2		
	3 years	19		
	3.5 years	6		
	5 years	1		
14	3 years	14	Qassim	Al Nakheel Plaza
30	3 years	9	Jeddah	Al Salaam Mall
	3.5 years	19		
	5 years	1		
	7 years	1		
20	3 years	18	Riyadh	Salam Mall
	3.5 years	1		
	5 years	1		
57	3 years	52	Riyadh	Al Nakheel Mall
	3.5 years	3		
	5 years	2		
14	3 years	11	Riyadh	Tala Mall
	3.5 years	2		
	6.5 years	1		
38	3 years	37	Jeddah	Jasmine Mall
	8 years	1		
42	5 years	38	Dammam	Al Nakheel Mall
	3 years	1		
	10 years	3		
31	5 years	1	Riyadh	Al Hamra Mall
	3 years	30		
4	10 years	1	Riyadh	U Walk
	3 years	1		
	2.5 years	1		
	5 years	1		
<b>Total</b>		<b>538</b>		

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

An amount of SAR 3 million, the value of printing and advertising costs, paid to Hagen Co., Ltd., in which FAS Holding Co. is a shareholder.

It should be noted that all these transactions were carried out considering competitive and fair prices. The balances due to the related companies as on 31/12/2022 AD was as follows (the figures are rounded):

The Company's name	Balance type	Balance as at 31/12/2022 (SAR million)	Balance as at 31/03/2022 (SAR million)
Arabian Centers Company	Debit/ Credit	(140.4)	(236)
Food and Entertainment	Debit/ Credit	14.6	(10.5)
Wonderful Meals Co. Ltd	Debit/ Credit	(16)	(23.5)
Hagen Company Ltd.	Debit/ Credit	(0.897)	(0.3)
FAS Saudi Holding Co.	Debit/ Credit	422.8	267.6
AlFaridah Trading Agencies Ltd.	Debit/ Credit	12	10.4
Amwal Alkhaleej	Debit/ Credit	2.2	2.2



## 14. Board Members' Remuneration

The members of the Board of Directors were entitled to a total remuneration of SAR 1,650,000 for the financial year ending on 31/03/2022, and the remuneration will be presented at the next General Assembly for approval. The members of the Board also received allowances for attending the Board meetings during the year, with a total amount of SAR 235,000, at SAR 15,000 per session attended as stipulated in the Articles of Association of the Company approved by the Extraordinary General Assembly in its session held on Rajab 21, 1438 AH corresponding to 18/04/2017 AD.

	A specified amount	Allowance for attending Board sessions	Total allowance for attending Board sessions	In-kind benefits	Rewards for technical, administrative and advisory works	Remunerations of the Chairman, Managing Director, or Secretary, if they are members	Total	Percentage of profits	Regular rewards	Long term motivational plans	Shares Granted (Value is entered)	Total	Grand Total
<b>First: Independent Members</b>													
1- Eid Faleh Al Shamry	200,000	30,000					230,000						230,000
2- Khaled Waleed Al-Shakhshir	200,000	30,000					230,000						230,000
3- Basem Abdullah Al-Salloum	200,000	30,000					230,000						230,000
4- Ahmed Saleh Al-Sultan	200,000	30,000					230,000						230,000
<b>Total</b>	<b>800,000</b>	<b>120,000</b>					<b>920,000</b>						<b>920,000</b>
<b>Second: Non-Executive Members</b>													
1- Fawaz Abdul Aziz Al Hokair	200,000	15,000					215,000						215,000
2- Dr. Abdul Majeed Abdul Aziz Al Hokair	200,000	30,000					230,000						230,000
3- Omar Abdulaziz Al-Mohammadi	200,000	15,000					215,000						215,000
4- Mohamed Rafiq Murad	50,000	25,000					75,000						75,000
5- Abdul Majeed Abdullah Al-Basri	200,000	30,000					230,000						230,000
<b>Total</b>	<b>850,000</b>	<b>115,000</b>					<b>965,000</b>						<b>965,000</b>
<b>Grand Total</b>	<b>1,650,000</b>	<b>235,000</b>					<b>1,885,000</b>						<b>1,885,000</b>

## 15. Remuneration of Committee Members

	Fixed remuneration (except for the allowance for attending sessions)	Allowance for attending sessions	Total
<b>Members of the Audit Committee</b>			
1- Dr. Suleiman Abdullah Al-Sukran	100,000	110,000	210,000
2- Eid Faleh Al Shamry	100,000	110,000	210,000
3- Saad Ibrahim Al-Mushawah	100,000	110,000	210,000
<b>Total</b>	<b>300,000</b>	<b>330,000</b>	<b>630,000</b>
<b>Members of the Remuneration and Nomination Committee</b>			
1- Khaled Waleed Al-Shakhshir	75,000	5,000	80,000
2- Omar Abdul-Aziz Al-Mohammadi	75,000	5,000	80,000
3- Abdul Majeed Abdullah Al-Basri	75,000	5,000	80,000
4- Mohamed Rafiq Murad	-	5,000	5,000
<b>Total</b>	<b>225,000</b>	<b>20,000</b>	<b>245,000</b>
<b>Members of the Executive Committee</b>			
1- Dr. Abdul Majeed Abdul Aziz Al Hokair	75,000	5,000	80,000
2- Omar Abdul-Aziz Al-Mohammadi	75,000		75,000
3- Abdul Majeed Abdullah Al-Basri	75,000	5,000	80,000
4- Mohamed Rafiq Murad	18,750	5,000	23,750
<b>Total</b>	<b>243,750</b>	<b>15,000</b>	<b>258,750</b>

## 16. Waiver of Rights to Salary, Compensation or Profits

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

## 17. Salaries, Remuneration and Compensation of Senior Executives

The five senior executives, including the Chief Financial Officer and the Company's Chief Executive Officer, during the tenures of their current positions throughout the fiscal year ending on 31/12/2022 AD. The following table shows a statement of these amounts:

	Fixed rewards				Variable rewards				End of service gratuity	Total executive remuneration for the Board, if any	Total summation
	Payroll	Allowances	In-kind benefits	Total	Regular rewards	Earnings	Short term incentive plans	Granted Shares (Value is entered)			
<b>Total</b>	<b>4,966,633</b>	<b>1,134,891</b>									<b>6,101,534</b>

### 17.1 Experience and qualifications of senior executives

Name	Qualifications	Areas of expertise	Current role	Previous role
Mohamed Rafiq Murad*	<ul style="list-style-type: none"> <li>Master's degree in Executive Business</li> </ul>	<ul style="list-style-type: none"> <li>Investment and Audit Committee of the Board of Directors - Emaar Group Company</li> <li>Investment Committee - Middle East Project Partners</li> <li>Director of Business Development, Emerging Markets of YouTube - Google Company</li> <li>Director and Consultant of Strategy (Dubai/Riyadh) - Bose Corporation</li> <li>Director of Business Development, MENA and Turkey (Dubai / Jeddah) - Mars Company</li> <li>Regional Manager (Lagos / Nigeria) -Radioactive Engineering</li> </ul>	Interim CEO	Vice President - International Partners, San Francisco
Ahmed Belbeisi	<ul style="list-style-type: none"> <li>CMA</li> <li>CFM</li> </ul>	<ul style="list-style-type: none"> <li>15 years of experience in retail sales</li> </ul>	Chief Finance Officer - Cenomi Group	General Manager of Financial Affairs
Salim Fakhori	<ul style="list-style-type: none"> <li>Master of Business Administration</li> <li>Accounting and Auditing Diploma</li> <li>Executive Management Program / Business Administration</li> </ul>	<ul style="list-style-type: none"> <li>20 years of experience in apparel and finance</li> </ul>	Chief Commercial Officer	Chief of Fashion Sector in Azadea Holding Group
Faisal Younes	<ul style="list-style-type: none"> <li>Bachelor of Science -Business Management</li> </ul>	<ul style="list-style-type: none"> <li>Managing Partner &amp; Board Member - Café Younes</li> <li>Board of Directors - Eathos LTD (DIFC)</li> <li>President F&amp;B - Azadea Holding Group</li> <li>Regional Manager - Starbucks Coffee - Alshaya</li> </ul>	CEO - Food & Beverage	CEO - Eathos LTD, DIFC
Nezar Darwish	<ul style="list-style-type: none"> <li>Bachelor's degree in IT Management</li> </ul>	<ul style="list-style-type: none"> <li>More than 10 years of experience in human resources management</li> </ul>	Chief Human Capital Officer	HR Manager - Hikma Pharmaceuticals, KSA

\* Mohamed Rafiq Murad was appointed as an interim CEO on 01/05/2022

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

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

## 18. Zakat and Income Tax

### Tax position of foreign subsidiaries

Income tax returns for subsidiaries in the United States of America have been submitted to the relevant tax authorities for the years up to 31/12/2021 AD. The income tax returns for subsidiaries in Jordan, Egypt, Kazakhstan, Morocco, Georgia, Azerbaijan, Armenia and The Balkans have been filed for all years up to 31/12/2022 AD.

At the end of the fiscal year ending on 31/12/2022 AD, the Company formed a provision of SAR 10.8 million in order to meet the Zakat until the fiscal year ending on 31/12/2021 AD. The transactions conducted on the provision for Sharia Zakat and income tax during the fiscal year ending on 31/12/2022 AD are as follows:

Movement of provision for Zakat and income tax	Legal Zakat	Income tax	Custom	Total Zakat and income tax
Allocated balance on 1/4/2022	35,674,286	1,399,744	24,354,580	61,428,610
Allocated for the fiscal period ending on 31/12/2022	10,761,824	9,940,578	--	20,702,402
Paid during the fiscal period ending 31/12/2022	(8,068,403)	(3,577,140)	--	(11,645,543)
Changes in estimates of zakat related to prior years			--	--
Other liabilities			--	--
Provision balance on 31/12/2022	38,367,707	7,763,181	24,354,580	70,485,468

Based on the Company's management estimates, the provision for Sharia Zakat and income tax is sufficient for the fiscal period ending on 31/12/2022 AD.

## 19. Investments and Reserves Created for the Benefit of Employees

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

## 20. Acknowledgments of the Board of Directors

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



## 21. Penalties and Fines

No fine was imposed on the Company for the year ending on 31/12/2022.

## 22. Board of Directors Proposals

- Approval of the report of the Board of Directors for the fiscal year ending on 31/03/2022.
- Approval of the Company's financial statements as of 31/12/2022 AD, and the Company's auditor's report for the fiscal year ending on the same date.
- Approval of the Board of Directors' recommendation to pay a remuneration to members of the Board of Directors according to the Company's Articles of Association at the rate of SAR 200,000 for each member in addition to an allowance for attending the meetings of the Board of Directors at SAR 15,000 for each session, as well as an allowance for attending the sessions of the sub-committees at the rate of SAR 10,000 for each session of the Audit Committee and SAR 5,000 for each session of the Nominations and Remunerations Committee and the Executive Committee.
- Approving the discharge of members of the Board of Directors from liability for the fiscal year ending on 31/03/2021 AD.
- Approval of appointing the chartered accountant nominated by the Audit Committee to review the financial statements for the fiscal year 2021 AD "the financial period from April 1, 2022 to March 31, 2023 AD", the quarterly financial statements, and determining their fees.
- Recommendation to the General Assembly to restructure the capital of the Company by reducing the capital and, afterwards, increasing the capital by issuing priority shares.

## 23. Auditor's Report

### Qualified Opinion

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

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

### Basis for Qualified Opinion

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

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

## 24. Corporate Governance and Internal Control System

### 24.1 Corporate Governance

The Company continuously works to apply the best practices of governance that protect the rights of shareholders and stakeholders. The Company's Board of Directors has set its priorities, at the top of which are listing the Company's shares for trading in the financial market in the fiscal year 2006-2007, and establishing and implementing a corporate governance system that complies with the requirements of the corporate governance regulations issued for the Board of the Capital Market Authority.

The Company's successive Boards of Directors have taken numerous measures and issued several policies in accordance with the supervisory framework and the rules of transparency and disclosure contained in the Corporate Governance Regulations issued by the Authority. The measures and policies are:

Fiscal year	Corporate governance activities
2006/2007	<p>Beginning in the fiscal year 2006/2007, several policies were approved and a number of measures were taken to meet the requirements of the corporate governance regulations, the most important of which were the following:</p> <ol style="list-style-type: none"> <li>1. Issuing the general financial policies guide for all the Company's main business cycles and training all concerned employees thereon.</li> <li>2. Issuing job and professional conduct rules for the Company's employees.</li> <li>3. Reorganizing the Company's Internal Audit Department in accordance with internationally recognized professional rules.</li> <li>4. Conducting an introductory course on the internal controls for all executives in the Company's financial affairs.</li> <li>5. Preparing a financial regulation to delegate the powers and authorities to the management of the Company.</li> </ol>
2007/2008	<p>In October 2007, the Company completed the issuance of several regulations aimed at implementing the requirements of governance, as follows:</p> <ol style="list-style-type: none"> <li>1) The rules for forming the Audit, and Nomination and Remuneration Committees.</li> <li>2) Shareholders' Rights Policy Regulations and the General Assembly.</li> <li>3) A regulation of disclosure and transparency policy and procedures.</li> <li>4) Bylaws of the Board of Directors.</li> <li>5) Conflict of interest policy for members of the Board of Directors and shareholders.</li> </ol>

Fiscal year	Corporate governance activities
2011/2012	<p>Assessment conducted by the consulting office "Deloitte - Bakr Abu al-Khair and Partners" of the application of corporate governance in the Company, and reviewing the quality of performance of the Company's Internal Audit Department.</p> <p>Desiring to abide by all the articles of the corporate governance regulations issued by the Authority and to ensure the application of the best international practices of governance that guarantee the rights of shareholders and of stakeholders, the Company's Board of Directors assigned Deloitte - Bakr Abu Al-Khair &amp; Partners ("the Consultant") the task of evaluating the application of governance in the Company, the effectiveness of the arrangements adopted by the Company in this context, in accordance with the regulations and instructions issued by the Authority, and the best practices adopted by the leading international bodies in the field of corporate governance, including the New York Stock Exchange and the Nasdaq Stock Exchange in the United States of America. In addition, the Consultant was tasked with reviewing the quality of performance of the Company's Internal Audit Department, and the Consultant's report concluded that:</p> <p>The Company is highly compliant with the requirements of the corporate governance rules issued by the Authority, but needs to improve a number of aspects to be consistent with the leading international practices in corporate governance.</p> <p>The performance of the Company's Internal Audit Department conforms to the general requirements of professional performance standards issued by the Institute of Internal Auditors in the United States of America, and it is considered one of the best internal audit departments in the Middle East.</p> <p>The Chairman of the Board of the Capital Market Authority and Chief Executive Officer at the time were informed of the results of the Consultant's work in a meeting in March 2012. During the meeting, Dr. Abdul Majeed Al Hokair, Managing Director of the Fawaz Abdulaziz Alhokair Co., expressed his happiness with the results attained by the Company in the field of governance application. At the same time, Dr. Abdul Majeed Al Hokair emphasized that the Company's Board of Directors is keen to spare no effort and to move forward in developing and implementing a program for continuous improvement of the Company's governance and its control environment, and to be among the leading companies in the Kingdom in the field of corporate governance.</p>
2012/2013	<p>During the fiscal year 2012/2013, the Company embarked on a full review of all work manuals, policies, regulations and procedures it issued in the field of governance with the aim of improving all aspects highlighted by the Consultant's report. This considered the articles of the corporate governance regulations, the application of which was mandated by the Board of the Capital Market Authority during the two years ending in 2012 and 2013. Consequently, the Company issued, during the fiscal year 2012/2013, the revised version of its governance guides and policies, which included the following:</p> <ol style="list-style-type: none"> <li>1. Corporate Governance Manual</li> <li>2. Shareholders Guide</li> <li>3. The Code of Conduct and Professional Conduct for Company Employees</li> <li>4. The Company's social responsibility policy</li> <li>5. Board of Directors' work guide</li> <li>6. Conflict of interest policy for Board Members, employees, and shareholders</li> <li>7. Insider trading policy</li> <li>8. Policies, standards and procedures for membership on the Board of Directors, which were approved by the Company's General Assembly in its session on 3/25/2013 AD</li> </ol>

Fiscal year	Corporate governance activities
2013/2014	<p>In accordance with the provisions of Paragraph (C) of the Corporate Governance Regulations issued by the Authority, which stipulates setting up a "governance system for the Company - in a manner that does not conflict with the provisions of this regulation - and general supervision thereof, monitoring its effectiveness and amending it when needed," which was issued by the Authority's Board Resolution No. (3- 40-2012) and dated 17/2/1434 AH corresponding to 30/12/2012 AD, obligating companies whose shares are listed in the Saudi Stock Exchange (Tadawul) starting from 30/6/2013 AD.</p> <p>The Company has developed its own governance system, including a framework. The system was approved by the Company's General Assembly in its session held on 16/7/2013 AD, after being approved by the Company's Board of Directors. A copy of system was delivered to the Authority on 30/6/2013 AD. The Company's corporate governance system works as follows:</p> <ol style="list-style-type: none"> <li>1) The organizational structure of corporate governance</li> <li>2) The main principles of the corporate governance system</li> <li>3) Disclosure and transparency policy</li> <li>4) Board of Directors' work guide</li> <li>5) Policy and procedures for membership on the Board of Directors</li> <li>6) Board committees</li> <li>7) Code of work ethics and conduct</li> <li>8) Policy of regulating conflict of interest</li> <li>9) Insider trading policy</li> <li>10) Shareholders Guide</li> <li>11) The Company's social contribution policy</li> <li>12) Mechanisms for evaluating the effectiveness of job performance, in order to evaluate the effectiveness of the performance of each of the members of the Board of Directors and its committees on a regular basis, as one of the basic principles on which the corporate governance system is based.</li> </ol>
2014/2015	<p>In the context of ensuring a full understanding of the requirements of its governance system, and ensuring the safety of its practices, the Company organized, during the fiscal year, a number of workshops for the Company's Executive Managers and members of the Board of Directors, in order to introduce the practical framework of its governance system, and its alignment with the strategic visions of the Board of Directors. Additionally, this ensures its practical application in a comprehensive and accurate manner.</p> <p>The charter of functional and professional conduct for the Company's employees was also reviewed and redistributed to the employees, in addition to reviewing the financial regulations for delegating powers and authorities and distributing them to the Company's management to help employees discharge their duties.</p>
2015/2016	<p>Within the framework of the Company's plans to strengthen and develop mechanisms for the continuous review of its governance system, with the aim of keeping pace with all corporate governance provisions issued by the Authority, and maintain its efficiency and effectiveness in light of all developments and developments in the Company's internal and external work environment.</p> <p>The Company contracted with a strategy consultant to implement a project for the transformation and strategic rearrangement of the Company's various functions and the development of a new operating system, which includes a review of policies and procedures, structures of delegation of powers and authorities, and the development of the Company's governance system.</p>



Fiscal year	Corporate governance activities
2016/2017	<p>Completing the project of transformation and strategic rearrangement of the Company's various functions, developing the operating system, policies and procedures, delegating powers and authority structures, and developing the governance system for the Board of Directors and Executive Management.</p> <p>On 21/07/1438 AH corresponding to 18/04/2017 AD, the Company's Articles of Association were amended to agree with the joint stock Companies System Model issued by Ministerial Resolution No. 18379 dated 01/06/1437 AH, in accordance with the requirements of Article 224 of the Companies Law, and approval of the formation of the Audit Committee, its duties and controls, and the remuneration of its members.</p>
2017/2018	<p>The project of transformation and strategic rearrangement of the Company's various functions has been completed, and its operating system has been developed and implemented. The Company has also made great strides in updating its governance policies and guide to keep pace with all the amendments and developments in both the corporate system issued by Royal Decree No. M/3 dated 28/01/1437 AH, and the revised Corporate Governance Regulations issued by the Authority's Board pursuant to Resolution No. (8-16-2017) dated 16/05/1438 AH corresponding to 13/02/2017 AD, based on the Companies Law issued by Royal Decree No. M/3 dated 28/1/1437 AH.</p>
2018/2019	<p>During the year 2018/2019, the Company reviewed its governance guide and policies in accordance with the Saudi Companies Law, the rules for offering securities and continuing obligations, and the amended corporate governance regulation issued by the decision of the Board of the Capital Market Authority No. 3-45-2018 dated 07/08/1439 AH corresponding to 23/04/2018 AD. The Company also identified all the paragraphs that need to be updated in accordance with these amendments, and updated them for approval and practical application.</p>
2019/2020	<p>Approval of the amendments to the corporate governance guide and policies, and the evaluation carried out by the Protiviti, the consulting company, of the performance of the Internal Audit Department.</p> <p>During the fiscal year 2019/2020, the Company approved amendments to its governance guide and policies, with regard to disclosing financial information, providing the authority and announcing to shareholders the initial and annual financial statements to comply with the Saudi Companies Law, amendments to the rules for offering securities and continuing obligations, and the corporate governance regulation issued by the Capital Market Authority to be appropriate for implementation.</p> <p>Protiviti was also contracted to review the quality of the performance of the Company's Internal Audit Department. The initial general evaluation found that "the Company's internal audit generally conforms to the standards of the Institute of Internal Auditors, with a number of opportunities for improvement in relation to compliance with some standards."</p>

Fiscal year	Corporate governance activities
2020/2021	<p>The final evaluation of the consulting office, Protiviti, of the quality of performance of the Internal Audit Department of the Company, and the application of the proposed improvements desiring to abide by all the articles of the corporate governance regulations issued by the Authority and to ensure the application of the best international practices of governance that guarantee the rights of shareholders and of stakeholders, the Company's Board of Directors assigned Protiviti with the task of reviewing the quality of performance of the Company's Internal Audit Department, and the final report was completed. The Consultant report identified opportunities for continuous improvement in the work of the Company's Internal Audit Department, in a way that contributes to enhancing the quality of its performance in the following areas:</p> <ol style="list-style-type: none"> <li>1. Comprehensive risk assessment and internal audit planning</li> <li>2. Implementation of operations/stores audit</li> <li>3. Enhancing the scope of the corporate governance audit</li> <li>4. Enterprise risk assessment and risk management</li> <li>5. Internal audit at the management team and competency level</li> <li>6. Strengthening the process of planning participation and implementation</li> <li>7. Internal audit reports</li> <li>8. The organizational independence of the Internal Audit Department</li> </ol> <p>The Audit Committee directed the immediate implementation of all aspects of improving the quality of the performance of the Company's Internal Audit Department, and the periodic follow-up of its implementation.</p>
2021/2022	<p>During the fiscal year 2021/2022, the Company aims to periodically review the Company's governance applications and practices, verify compliance with all corporate governance rules and the ongoing commitments issued by the Capital Market Authority, and follow up on the implementation of the improvements proposed by Protiviti. The objective is to enhance the quality of the Internal Audit Department's performance. The Company further seeks to enhance compliance with the professional framework of performing internal audit tasks, as issued by the International Institute of Internal Auditors. The Company continuously follows up on any future amendments to the relevant laws and regulations issued by legal authorities, especially those that may require amending the Company's governance guide and policy of compliance. Further, it follows up on the implementation of procedures that ensure agreement with the guiding rules contained in the Corporate Governance Regulation issued by the Authority.</p>
2021/2022	<p>The Company has revised and updated its governance regulations and policies in accordance with the amendments made by the supervisory authorities and in line with the best national and international practices. Exercising its authorities as per the Corporate Governance Regulation issued by the Capital Market Authority, the Board approved amendments to the following regulations and policies:</p> <ol style="list-style-type: none"> <li>1. Company's governance regulations</li> <li>2. Executive Committee's work regulations</li> <li>3. Policy and procedures for membership on the Board of Directors</li> <li>4. Dividend payment policy</li> <li>5. Stakeholder relations policy</li> <li>6. Code of Professional Conduct</li> <li>7. Insider trading policy</li> <li>8. Conflict of interest policy</li> <li>9. Disclosure policy and procedures</li> </ol> <p>The Board of Directors made a recommendation to the General Assembly to approve the governance policy amendments in accordance with the powers vested in the Assembly as stipulated by the Corporate Governance Regulation issued by the Capital Market Authority. The amendments include:</p> <ol style="list-style-type: none"> <li>1. Audit Department work regulation</li> <li>2. Nomination and Award Committee work regulation</li> <li>3. Policy of remunerations for members of the Board, its sub-committees and Executive Management</li> <li>4. Policy, standards and procedures of the Board membership</li> <li>5. Policy of competition for Board members</li> </ol>

## 24.2 Applying the provisions of the Corporate Governance Regulations

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

Article	Paragraph	Obligatory/optional	Execution position	Causes and company procedures
Article 39: Training	2	Optional	Not applicable	Work is currently underway to put the necessary mechanisms in place for the members of the Board of Directors and the Executive Management to receive continuous training programs and courses in order to develop their skills and knowledge in areas related to the Company's activities.
Article 41: Evaluation	All paragraphs	Optional	Not applicable	The necessary mechanisms are currently being arranged to evaluate the performance of the Board, its members, committees, and Executive Management annually. This is to develop appropriate performance measurement indicators related to the extent to which the Company's strategic objectives are achieved, the quality of risk management, and the adequacy of internal control systems, etc. The strengths and weaknesses shall be identified and a proposal will be developed to address them in line with the Company's interest.
Article 70: Formation of a Risk Management Committee		Optional	Not applicable	An optional article and its application will be decided soon.
Article 71: Functions of the Risk Management Committee		Optional	Not applicable	An optional article and its application will be decided soon.
Article 72: Meetings of the Risk Management Committee		Optional	Not applicable	An optional article and its application will be decided soon.
Article 85: Motivating Employees	All paragraphs	Optional		An optional article and its application will be decided soon.
Article 88: Social Action Initiatives	All paragraphs	Optional		An optional article and its application will be decided soon.

## 25. Annual Review of the Effectiveness of Control Procedures

The annual review of internal control procedures which were selected for testing during the period from 1 April 2022 up to 31 Dec 2022 for the financial year ending 31 Dec 2022 (for nine months) by the Committee and the Internal Audit Department, as well as the reports of the external auditors confirm that there is a fundamental weakness in the control systems which was previously mentioned in the opinion of the Audit Committee for the previous fiscal year, 31 March 2021. There was no improvement, weaknesses persisted, and no corrective action was taken. This reflects a fundamental weakness in the company's management that amounts to negligence. As far as we know, the Board did not take the necessary measures to address this shortcoming, despite the repeated letters from the Audit Committee.

The Board of Directors and the Executive Management have worked effectively to develop and improve internal control procedures, risks, governance and activities related to a number of internal control objectives which are mainly related to inventory operations, in particular, inventory, inventory sale, liquidation, fixed assets, financial reports, balances of related party operations, information systems and human resources. The Audit Committee also believes that there is a fundamental and serious weakness represented in the existence of a non-independent Executive Management team to manage the company's operations, through the interference of a number of employees of the Fawaz Al Hokair Holding Group (Fas) "Cenomy Group" in the meetings and decisions of the Company and its internal committees.

The reports of Crowe (internal audit service providers) during the financial period indicated that there are significant weaknesses in terms of control procedures and policies related to governance, inventory, human resources, information systems and sales operations.

The Committee also would like to emphasize one of the important points that have been referred to several times in the reports of the external auditor and the letters of the Audit Committee, which is the existence of a systematic violation regarding amounts owed by related parties and sister companies several years ago, as the balance of these amounts according to the Company's accounting records on 31 December 2022 reached about SAR 422.5 million.

The Company received three checks from Cenomi Group in the amounts of SAR 150 million, SAR 117.5 million, and SAR 2 million on 31 December 2022 (the total value of the checks is SAR 269.5 million). The check of SAR 150 million was deposited in the Company's bank account on 2 February 2023. The remaining two checks amounting to SAR 119.5 million from Cenomy Group are still under collection, in addition to the amount of SAR 153 million due from Lynx company (Fawaz Al Hokair Real Estate, formerly "FARE").

The procedures for counting and managing inventory in stores and warehouses have a serious imbalance that requires reconsidering the policies and procedures on managing the entire inventory, appointing a qualified work team and activating an effective system for inventory management and control, as the value of the deficit in Inditex inventory, based on the Crowe report, amounted to (SAR 355 million). On 31 December 2022, the Company's management also sold the liquidation stock valued at SAR 95 million, for an amount of SAR 20 million over the past two years to two companies with different commercial records and owned by the same person, without indicating or disclosing that.

Finally, the Audit Committee previously called on the Board to establish a Risk Committee, and so far, there is no Risk Committee in the Company.



## 26. Hiring Saudi Nationals and the Social Contribution Program

Hiring Saudi nationals and training them through Learning & Development (L&D) is a major focus for the company, particularly in support of the pillars of the country's Vision 2030.

Learning & Development (L&D) is both a formal systematic process and informal personal endeavor. Development begins on an employee's first day at work and continues until their employment is complete. The Company provides the tools and opportunities to make it happen.

The Company's approach to learning and development is primarily competency based. Therefore, competency differences identified will be translated into learning objectives in a form of a plan for closure through various development activities.

### 1- Development Activities

- There are many different types of activities that contribute to employee's development and employees are encouraged to consider the range of opportunities available to them. All the training activities were customized for the Company's needs.
- Development activities have a consistent feature, which is a 70:20:10 on the overall development split emphasizing a competency-based and self-driven blended learning & development approach; providing real development experiences on-the-job (70%), supplemented by mentoring and self-study (20%) and classroom training and formal educational events (10%).

### On-the-Job

- Development activities towards On-the-Job-Learning (OJL).
- OJL is individual training that is conducted on the actual job under the supervision of a skilled employee who verifies that the required learning outcome has been met.
- This type of training was funded from the Tawteen program since we provide the required OJL training.

### Mentoring and Self-Study

- A two-way communication avenue between less and more experienced employees is believed to be an effective approach to inspire personal and functional development, career growth and innovation as well as enhancing motivation and productivity.

### Classroom Training and Formal Educational Events

- Classroom training to supplement the E-learning training activities were delivered in-house.
- All formal training activities have pre and post discussion/evaluation.

### Performance Management

- The performance management program is the Company's response to the need to plan, manage and review employee performance which must result in improved business outcomes. It is underpinned by clear, direct and regular two-way communication between appraiser and appraisee.

### 2- Purpose

- To ensure a proper governance mechanism is in place for a yearly performance review of all employees.
- To make thorough, objective and factual appraisals of the performance and progress of employees; with a high level of transparency and fairness, and record essential information concerning the performance level and achievements.
- To ensure that employees are clear about the Company's priorities and to align performance plans with the Company's strategic plan practically.
- To encourage appraisees to learn and improve from regular positive or constructive feedback.
- To achieve maximum utilization of all employees and to motivate each one to seek ways to improve

### 3- Development Model

#### Competency Assessment

- The Competency Assessment exercise determines employees' knowledge, skills and abilities against competency requirements in order to identify and recognize strengths and areas for development.
- Employee's were assessed against the specific competencies required for the next higher job within their career path.
- Each job in the career path is mapped against a series of competencies and the specific level for each competency along with the development activities for each.
- The competency manual serves as a clear indicator of what is expected from the employee for each job.

#### Individual Development Plan

- Each employee had a unique tailored plan focused towards the development of the identified gaps to be in a position to potentially progress to the next higher job in their career path.
- The plan captures the learning objectives required to fulfill employee's competency gaps.
- All development activities included in the plan are selected from the training catalogue.

### 4- Training Catalogue

- The Training Catalogue is prepared annually based on the learning objectives indicated by employees in their development focus.

### 5- Core Training

- The Company has established core training that is relevant to the business but not specific to a competency.
- Depending on the job, employee's undertake certain training such as Sales and POS training, Oracle related training etc.

### 6- Establish Al Hokair Retail Academy

- We are very keen to support the Saudi Vision 2030 goal in developing and hiring Saudi nationals through the academy programs. Therefore, part of our program is to focus on hiring and developing 500-1,000 Saudi nationals who have completed high school and wish to enroll on a vocational program to get the on-job experience and progress via that route. We aim to have a Saudi workforce of 100% across various roles and levels by 2030.
- The target high school graduate will be hired in coordination with different charities and HRDF as part of our social responsibility to give them the opportunity to be part of the labor workforce.

## 27. The Competing Business with the Company or any of its Activities that any Member of the Board of Directors Engage In

Company name	Board member	Board member position in the competing company	Description of the competing company	Nature of competing business	Ownership percentage of the member
Majd Alaamal Group	Abdul Majeed Abdul Aziz Al Hokair (Non-Executive Board member)	Partner	Majd Alaamal is a group working in multiple sectors (restaurants, financial investments, real estate and contracting)	Food & Beverage	50%

## 28. General Assembly of the Shareholders

The Company held four General Assembly meetings during the fiscal year started on 01 April 2022 to 31 December 2022.

One of the most important decisions was made at the Extraordinary General Assembly held on 29/06/2022 to approve the reduction of the Company's capital as follows:

- The Company's capital before the reduction: SAR 2,100,000,000.
- The Company's capital after the reduction: SAR 1,147,664,480.
- Number of shares before reduction: 210,000,000 shares.
- Number of shares after reduction: 114,766,448 shares.
- Reduction rate: 45.3% of the Company's capital.
- The reason for the capital reduction: to restructure the capital and extinguish 100.0% of accumulated losses as of December 31, 2021, with a value of SAR 952,335,520.
- Capital reduction method: cancellation of 95,233,552 shares of the Company's shares, i.e., cancellation of one share for every 2.205 shares.

In addition, the Extraordinary General Assembly held on 28/12/2022, decided to amend article 43 of the Company's Bylaws related to the fiscal year, and accordingly, the fiscal year was changed to start at the beginning of January and to end at the end of December of each calendar year.

Therefore, this fiscal year is a short year (nine months) that began on 01/04/2022 and ended on 31/12/2022.

The following table describes the date of the meetings and names of the Board members who attended:

Date of the meeting	Attendance by the members of the Board of Directors	Remarks
<b>First meeting</b>	<ul style="list-style-type: none"> <li>Dr. Abdul Majeed Abdul Aziz Al Hokair</li> <li>Abdul Majeed Abdullah Al-Basri</li> <li>Khaled Walid Al-Shakhshir</li> <li>Mohamed Rafiq Murad</li> <li>Ahmed Saleh Al-Sultan</li> <li>Bassem Abdullah Al-Salloum</li> <li>Eid Faleh Al Shamry</li> </ul>	
15/06/2022 Ordinary		
<b>Second meeting</b>	<ul style="list-style-type: none"> <li>Omar Abdul Aziz Al-Mohammadi</li> <li>Dr. Abdul Majeed Abdul Aziz Al Hokair</li> <li>Abdul Majeed Abdullah Al-Basri</li> <li>Khaled Walid Al-Shakhshir</li> <li>Mohamed Rafiq Murad</li> <li>Ahmed Saleh Al-Sultan</li> <li>Bassem Abdullah Al-Salloum</li> <li>Eid Faleh Al Shamry</li> </ul>	
29/06/2022 Extraordinary including capital decrease		
<b>Third meeting</b>	<ul style="list-style-type: none"> <li>Omar Abdul Aziz Al-Mohammadi</li> <li>Dr. Abdul Majeed Abdul Aziz Al Hokair</li> <li>Abdul Majeed Abdullah Al-Basri</li> <li>Mohamed Rafiq Murad</li> <li>Ahmed Saleh Al-Sultan</li> <li>Bassem Abdullah Al-Salloum</li> <li>Eid Faleh Al Shamry</li> </ul>	
28/09/2022 Ordinary		
<b>Fourth meeting</b>	<ul style="list-style-type: none"> <li>Dr. Abdul Majeed Abdul Aziz Al Hokair</li> <li>Abdul Majeed Abdullah Al-Basri</li> <li>Khaled Walid Al-Shakhshir</li> <li>Mohamed Rafiq Murad</li> <li>Ahmed Saleh Al-Sultan</li> <li>Bassem Abdullah Al-Salloum</li> </ul>	
28/12/2022 Extraordinary		

## 29. Shareholder Register Requests

The Company requested the shareholders' register 17 times during the fiscal year for the period from 1 April 2022 to 31 December 2022, the details of which are as follows:

Serial number	The date of request	Reason for requests
1	18/04/2022	Corporate Actions
2	09/05/2022	Corporate Actions
3	19/05/2022	Corporate Actions
4	19/05/2022	Corporate Actions
5	19/05/2022	Corporate Actions
6	07/06/2022	Corporate Actions
7	13/06/2022	General Assembly
8	13/06/2022	General Assembly
9	05/07/2022	Corporate Actions
10	17/07/2022	Corporate Actions
11	29/08/2022	Corporate Actions
12	20/09/2022	General Assembly
13	16/11/2022	Corporate Actions
14	16/11/2022	Corporate Actions
15	16/11/2022	Corporate Actions
16	19/12/2022	Corporate Actions
17	20/12/2022	General Assembly

# 06

## Financial Statements





## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of

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

Riyadh, Kingdom of Saudi Arabia

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

#### Qualified Opinion

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

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

#### Basis for Qualified Opinion

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

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

#### Key Audit Matters

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

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

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

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

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

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

**Other matters**

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

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

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

**Independent Auditor's Report to the Shareholders of  
Fawaz Abdulaziz Al Hokair & Company (A Saudi Joint Stock Company) (continued)**
**Other information**

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

**Report on Other Legal and Regulatory Requirements**

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

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

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



Gihad Al-Amri  
 Certified Public Accountant  
 Registration No. 362



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



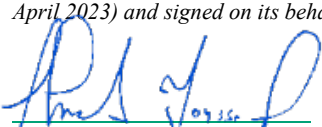
## Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company) Consolidated statement of financial position


As at 31 December 2022

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

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

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

  
Ahmed Albelbesy  
Chief Financial Officer

  
Mohamad Rafic Mourad  
Chief Executive Officer

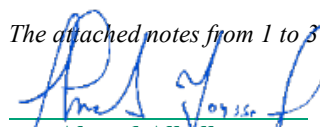
  
Fawaz Abdulaziz Al Hokair  
Chairman

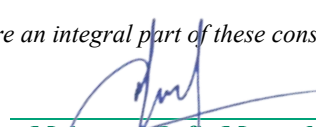
All amounts are presented in Saudi Riyals unless otherwise stated.

## Fawaz Abdulaziz Al Hokair & Company (a Saudi Joint Stock Company) Consolidated statement of profit or loss

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

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

  
Ahmed Albelbesy  
Chief Financial Officer

  
Mohamad Rafic Mourad  
Chief Executive Officer


  
Fawaz Abdulaziz Al Hokair  
Chairman


All amounts are presented in Saudi Riyals unless otherwise stated.

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

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

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

  
Ahmed Albelbesy  
Chief Financial Officer

  
Mohamad Rafic Mourad  
Chief Executive Officer

  
Fawaz Abdulaziz Al Hokair  
Chairman

All amounts are presented in Saudi Riyals unless otherwise stated.

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

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

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

  
Ahmed Albelbesy  
Chief Financial Officer

  
Mohamad Rafic Mourad  
Chief Executive Officer

  
Fawaz Abdulaziz Al Hokair  
Chairman

All amounts are presented in Saudi Riyals unless otherwise stated.

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

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

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

For the nine months period ended 31 December 2022

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

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

  
**Ahmed Albelbesy**  
 Chief Financial Officer

  
**Mohamad Rafic Mourad**  
 Chief Executive Officer

  
**Fawaz Abdulaziz Al Hokair**  
 Chairman



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

For the nine months period ended 31 December 2022

### 1. Reporting entity

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

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

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

The shareholders of the parent company in their extra-ordinary general meeting held at 29 June 2022 have approved the reduction in the share capital by SAR 952 million through cancellation of 95,233,552 shares of SAR 10 each to absorb the accumulated losses. Accordingly, the Group amended its Articles of Association, however, Group’s revised share capital was not updated in Commercial Registration.

On 20 December 2022 (G) (corresponding to 5 Jumada al-Alkhirah 1444 (H)), the Group announced the approval by the Shareholders Extraordinary General Assembly to amend the Group’s financial year end from 31 March to 31 December.

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the nine months period ended 31 December 2022

### 1. Reporting entity (continued)

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

No	Subsidiaries	Country of incorporation	Business Activity	Ownership interest held by the Group as at:	
				31 December 2022	31 March 2022
1	Al Waheedah Equipment Co. Ltd	Kingdom of Saudi Arabia	Retail	100	100
2	Harita B. Al Kalam & Partners Co. for trading	Kingdom of Saudi Arabia	Retail	100	100
3	Saudi Retail Co. Ltd	Kingdom of Saudi Arabia	Retail	100	100
4	Wahba Trading Company Limited	Kingdom of Saudi Arabia	Retail	100	100
5	Unique Technology Trading Company	Kingdom of Saudi Arabia	Retail	100	100
6	Nesk Trading Projects Company	Kingdom of Saudi Arabia	Retail	100	100
7	Innovative Union Company (IUC)	Kingdom of Saudi Arabia	Food and Beverage	100	100
8	Al Hokair Retail Academy	Kingdom of Saudi Arabia	Training center	100	100
9	Food Gate company	United Arab Emirates	Food and Beverage	70	70
10	Logistics Fashion Trading DWC-LLC	United Arab Emirates	Retail	100	100
11	Fashion Retail Kazakhstan LLP	Republic of Kazakhstan	Retail	100	100
12	Global Apparel Kazakhstan LLP	Republic of Kazakhstan	Retail	100	100
13	Retail Group Georgia LLC	Georgia	Retail	100	100
14	Master Retail Georgia LLC	Georgia	Retail	100	100
15	Spanish Retail Georgia LLC	Georgia	Retail	100	100
16	Pro Retail Georgia LLC	Georgia	Retail	100	100
17	Best Retail Georgia LLC	Georgia	Retail	100	100
18	Mega Store Georgia LLC	Georgia	Retail	100	100
19	Fashion Retail Georgia LLC	Georgia	Retail	100	100
20	Global Apparel Georgia LLC	Georgia	Retail	100	100
21	Retail Group Holding LLC	Georgia	Retail	100	100
22	Master Home Retail	Georgia	Retail	100	100
23	International Retail of Morocco	Morocco	Retail	100	100
24	Multi Trends Co.	Morocco	Retail	100	100
25	Retail Group of America LLC	United States of America	Entertainment	100	100
26	Bily Beez USA	United States of America	Entertainment	100	100
27	Retail Group Balkans doo Beograd	Republic of Serbia	Retail	100	100
28	Retail Fashion d.o.o., Belgrade	Republic of Serbia	Retail	100	100
29	Retail Group Balkans doo Podgorica	Balkan Peninsula	Retail	100	100
30	Retail Group Balkans doo Skopje	Balkan Peninsula	Retail	100	100
31	RIGE Co.	Arab Republic of Egypt	Retail	99	99
32	Retail Group Egypt Co. S.A.E	Arab Republic of Egypt	Retail	98	98
33	Retail Group Armenia CJSC	Armenia	Retail	96	96
34	Spanish Retail CJSC	Armenia	Retail	100	100
35	ZR Fashion Retail CJSC	Armenia	Retail	100	100
36	Global Apparel CJSC	Armenia	Retail	100	100
37	BR Fashion Retail CJSC	Armenia	Retail	100	100
38	Master Retail CJSC	Armenia	Retail	100	100
39	Best Retail CJSC	Armenia	Retail	100	100

All amounts are presented in Saudi Riyals unless otherwise stated.

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

### Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

#### 1. Reporting entity (continued)

No	Subsidiaries	Country of incorporation	Business Activity	Ownership interest held by the Group as at:	
				31 December 2022	31 March 2022
40	Retail Group CJSC	Armenia	Retail	100	100
41	Pro Retail CJSC	Armenia	Retail	100	100
42	Factory Prices CJSC	Armenia	Retail	100	100
43	Retail Group Jordan Co. LDT	Hashemite Kingdom of Jordan	Retail	100	100
44	Nesk Trading Projects LLC	Hashemite Kingdom of Jordan	Retail	100	100
45	Models Own Holding Limited	United Kingdom	Retail	51	51
46	Models Own Limited	United Kingdom	Retail	51	51
47	Models Own International Ltd.	United Kingdom	Retail	51	51
48	Retail Group Azerbaijan LLC	Azerbaijan	Retail	85	85
49	Fashion Retail Azerbaijan LLC	Azerbaijan	Retail	85	85
50	Spanish Retail Azerbaijan LLC	Azerbaijan	Retail	85	85
51	Global Apparel Azerbaijan LLC	Azerbaijan	Retail	85	85
52	Mega Store Azerbaijan LLC	Azerbaijan	Retail	85	85
53	Master Retail Azerbaijan LLC	Azerbaijan	Retail	85	85
54	Pro Retail Azerbaijan LLC	Azerbaijan	Retail	85	85
55	Retail Group Holding LLC	Azerbaijan	Retail	85	85
56	Best Retail Azerbaijan LLC	Azerbaijan	Retail	85	85

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

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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

### Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

#### 2. Basis of accounting

##### i. Statement of compliance

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

#### 3. Basis of measurement

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

- Equity investment at fair value through other comprehensive income (“FVOCI”) and investment at fair value through profit or loss (“FVTPL”) is measured at fair value;
- Derivative asset at fair value; and
- The defined benefit obligation is recognized at the present value of future obligations using the Projected Unit Credit Method.

As at 31 December 2022, the Group was in breach of certain financial covenants in relation to its long-term and short-term borrowings. Accordingly, the Company did not have an unconditional right to defer the settlement of the loan for at least 12 months after the reporting date. As a result, the Group has classified long term borrowings to current liability, refer note 17. This loan classification has resulted in current liabilities exceeding the Company’s current assets by SR 2,742 million. Currently, the Group has not received any default notice or intimation from the lenders that requires repayment of the loan before its original contractual maturity. The terms of the loan agreement require certain actions consequent to breach of covenants which includes among other items the injection of equity in the Group. The Board of Directors in their meeting dated 10 November 2021 had resolved that the Company will proceed with the rights issue of SR 1,000 million after reducing its share capital to SR 1,148 million by absorbing the accumulated losses. On the Board’s recommendation, the shareholders of the Parent Company in their extra-ordinary general meeting held at 29 June 2022 have approved the reduction in the share capital by SAR 952 million (through cancellation of 95.2 million shares of SAR 10 each) to absorb the accumulated losses as at 31 December 2021 amounting to SAR 952 million. Approval of the rights issue is expected from the Capital Markets Authority subsequent to the issuance of the yearend financial statements, after which the shareholders will approve the issuance to be effective.

Based on the discussions with the lenders over this incident and due to the current negotiations to reschedule the borrowings terms, management is confident that these actions will remediate the situation with the lenders and will resolve the position of the Group with respect to the covenants.

Furthermore, management of the Group is currently working towards reorganizing its brand mixture, where it plans to exist certain underperforming brands and direct more funds to performing brands. This is expected to lead to expansions and diversifications in the stores of these performing brands and trademarks. Certain cost cutting plans are also considered for the upcoming years, which will lead to enhancing gross margins of the Group. During the nine months ended 31 December 2022, the group has recognized positive gross profits of SR 710 million (2021: SR 809 million), positive operating profit of SR 322 million (2021: SR 374 million), and cash inflows from operating activities of SR 780 million (2021: SR 1,112 million) and accordingly, these consolidated financial statements were prepared on a going concern basis.

#### 4. Functional and presentation currency

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

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

### Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

#### 5. Use of judgements and estimates

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

##### A. Judgements

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

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

Management's judgement in assessing control over consolidated subsidiaries:

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

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

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

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

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

Based on above considerations, management of the Group believes:

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

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

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

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

### Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

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

##### A. Judgements (continued)

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

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

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

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

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

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

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

##### B. Assumptions and estimation uncertainties

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

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

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



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

For the nine months period ended 31 December 2022

**5. Use of judgements and estimates (continued)****B. Assumptions and estimation uncertainties (continued)***Impairment test of financial assets*

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

*Provision for slow moving inventory and shrinkage*

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

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

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

*Long-term assumptions for employee benefits*

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

**6. Summary of significant accounting policies**

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

**A. Basis of consolidation****i. Subsidiaries**

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

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

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

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

For the nine months period ended 31 December 2022

**6. Summary of significant accounting policies (continued)****A. Basis of consolidation (continued)****i. Subsidiaries (continued)**

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

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

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

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

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

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

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

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

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

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

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

For the nine months period ended 31 December 2022

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

**B. Foreign currencies**

**i. Transactions and balances**

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

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

**ii. Foreign operations**

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

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

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

For the nine months period ended 31 December 2022

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

**C. Revenue recognition**

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

**Sales in retail outlets**

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

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

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

**Online sales**

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

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

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

**D. Property and equipment**

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

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

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

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

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

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

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

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

For the nine months period ended 31 December 2022

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

#### E. Investment properties

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

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

#### F. Intangible assets

##### i. Goodwill

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

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

##### ii. Other intangible assets

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

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

Class of asset	Number of years
Software	25 years
Key money	15 years
Deferred charges	15 years

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

#### G. Inventories

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

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the nine months period ended 31 December 2022

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

#### H. Cash and cash equivalents

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

#### I. Financial instruments

##### i. Recognition and initial measurement

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

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

##### ii. Classification and subsequent measurement

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

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

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

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

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

##### Financial assets: Business model assessment

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

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

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

All amounts are presented in Saudi Riyals unless otherwise stated.



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

For the nine months period ended 31 December 2022

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

#### I. Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

For the nine months period ended 31 December 2022

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

#### I. Financial instruments (continued)

##### iii. Derecognition

##### Financial assets

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

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

##### Financial liabilities

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

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

##### iv. Offsetting

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

#### J. Impairment of financial instruments

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

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

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

##### Measurement of ECLs

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

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

For the nine months period ended 31 December 2022

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

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

##### Credit-impaired financial assets

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

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

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

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

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

##### Write-off

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

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

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

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

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

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

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

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

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

For the nine months period ended 31 December 2022

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

#### L. Finance income and finance cost

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

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

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

#### M. Fair value measurement

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

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

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

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

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

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

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

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

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

For the nine months period ended 31 December 2022

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

#### N. Provisions

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

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

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

##### i. Short-term obligations

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

##### ii. Post-employment obligation

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

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

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

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

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

#### P. Zakat and income tax

##### i. Zakat

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

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

For the nine months period ended 31 December 2022

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

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

##### ii. Income tax

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

##### iii. Deferred tax

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

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

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

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

#### Q. Dividends

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

#### R. Earnings per share

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

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

#### S. Statutory reserve

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



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

For the nine months period ended 31 December 2022

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

#### T. Leases

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

##### *As a lessee*

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

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

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

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

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

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

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

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

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

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

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

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

For the nine months period ended 31 December 2022

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

#### U. Segment reporting

An operating segment is a component of the Company:

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

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

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

For the nine months period ended 31 December 2022

### 7. Property and equipment

See accounting policies in Notes 6D and 6K.

#### A. Reconciliation of carrying amount

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

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the nine months period ended 31 December 2022

### 7. Property and equipment (continued)

See accounting policies in Notes 6D and 6K.

#### B. Change in estimates

During the year ended 31 March 2022, the Group conducted an operational efficiency review at all of its assets, which resulted in changes in the expected usage of all assets. The buildings, leasehold improvements, furniture fixtures and office equipment management was intended to sell after 33 years, 8-15 years and 4-10 years respectively. The buildings, furniture and fixtures, leasehold improvements, tools and equipment, motor vehicles and computers and electronics are expected to remain in use for 40 years, 15 years, 15 years, 15 years, 6 years and 10 years respectively. Consequently, the expected life of the assets increased. The effect of these changes on actual and expected depreciation expense, included in 'depreciation on property and equipment', was as follows:

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the nine months period ended 31 December 2022

**8. Goodwill and intangible assets**See accounting policies in **Notes 6F and 6K**.**A. Reconciliation of carrying amount**

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

**B. Goodwill**

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the nine months period ended 31 December 2022

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

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

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

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

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

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

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

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

**C. Impairment test**

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

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

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

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

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

All amounts are presented in Saudi Riyals unless otherwise stated.



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

For the nine months period ended 31 December 2022

**D. Sensitivity to changes in assumptions**

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

**9. Investment property**See accounting policies in [Notes 6E and 6K](#).**Reconciliation of carrying amount**

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

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

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

For the nine months period ended 31 December 2022

**10. Investment in equity accounted investments**See accounting policies in [Notes 6A and 6K](#).

	FG 4 Limited	FAS LAB (i)	Total
<b>Balance at 1 April 2021</b>	<b>2,699,577</b>	--	<b>2,699,577</b>
Addition	--	75,112,787	75,112,787
Share of loss	(743,169)	(15,044,402)	(15,787,571)
<b>Balance at 31 March 2022</b>	<b>1,956,408</b>	<b>60,068,385</b>	<b>62,024,793</b>
Addition	--	9,818,749	9,818,749
Share of loss	(1,956,408)	(7,747,831)	(9,704,239)
<b>Balance at 31 December 2022</b>	<b>--</b>	<b>62,139,303</b>	<b>62,139,303</b>
	31 December 2022	31 December 2022	Total
<b>Financial year</b>			
Assets	3,989,793	294,161,910	298,151,703
Liabilities (including NCI)	6,317,501	169,883,303	176,200,804
<b>Net Assets</b>	<b>(2,327,708)</b>	<b>124,278,607</b>	<b>121,950,899</b>
Percentage ownership interest	50%	50%	
<b>Group's share of net assets</b>	<b>(1,163,854)</b>	<b>62,139,303</b>	<b>60,975,449</b>
<b>Adjustment</b>	<b>--</b>	<b>--</b>	
<b>Carrying amount</b>	<b>(1,163,854)</b>	<b>62,139,303</b>	<b>60,975,449</b>
Revenue	8,791,545	279,026,659	287,818,204
Profit from continuing operations	(4,731,307)	(16,252,571)	(20,983,878)
Other comprehensive income	--	(1,002,913)	(1,002,913)
Total comprehensive income	(4,731,307)	(17,255,484)	(21,986,791)
<b>Group's share of total comprehensive income</b>	<b>(2,365,653)</b>	<b>(8,627,742)</b>	<b>(10,993,395)</b>

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

**11. Other investments**See accounting policies in [Notes 6I and 6J](#).

	Equity securities at FVTPL (i)	Equity securities at FVOCI (ii)	Pledged term deposit (iii)	Total
Balance at 1 April 2021	215,860,000	84,432,122	-	300,292,122
Exchange difference	-	(11,385,912)	-	(11,385,912)
Change in fair value	(2,429,344)	13,213,820	-	10,784,476
<b>Balance at 31 March 2022</b>	<b>213,430,656</b>	<b>86,260,030</b>	<b>-</b>	<b>299,690,686</b>
Balance at 1 April 2022	213,430,656	86,260,030	-	299,690,686
Additions	-	-	4,190,498	4,190,498
Change in fair value	3,694,908	29,126,937	-	32,821,845
Exchange difference	-	(22,455,488)	-	(22,455,488)
<b>Balance at 31 December 2022</b>	<b>217,125,564</b>	<b>92,931,479</b>	<b>4,190,498</b>	<b>314,247,541</b>

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

For the nine months period ended 31 December 2022

**11. Other investments (continued)**

- i. This represents investment in 20,000,000 units of Al Mubarak real estate income fund –II (the “fund”) with a nominal value of SR 10 each which has been acquired by the Company in exchange of its share of ownership of an investment property. The fund is a private closed ended real estate investment fund and the Group acquired its units on 16 December 2019.
- ii. During the year ended 31 March 2021, the Group had acquired 8.9% shares in Egyptian Centers for Real Estate Development (ECRED) in consideration for the settlement of a receivable from Egyptian Centers. The Group has designated the investment at FVOCI at initial recognition. At 31 December 2022, investment in ECRED has been valued at SR 92.9 million (31 March 2022: 86.3 million) using multiple valuation techniques whereas the fair value gain and exchange difference for the year have been recognized in the other comprehensive income.
- iii. During the period ended 31 December 2022, the Group has term deposits in National Bank of Fujairah as a guarantee for supplier payment.

**12. Inventories**

See accounting policy in Note 6G.

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

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

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

Refer to note 36 for the details of the restatement.

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the nine months period ended 31 December 2022

**13. Advances, deposits and other receivables**

See accounting policies in Notes 6I and 6J.

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

**14. Prepayments**

See accounting policies in Notes 6I and 6J.

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

**15. Cash and cash equivalents**

See accounting policy in Note 6H.

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

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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

### Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

#### 16. Receivable from disposal of subsidiaries

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

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

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

- i. Pursuant to the decision of the Board of Directors in their meeting held on 29 June 2016, the Group had disposed off Global Levia and its subsidiaries ("the Disposed Entities") for a total consideration of SR 375 million receivable in 5 annual equal installments starting from 29 June 2017 onwards. Management rights had been transferred by the Group and accordingly, the Group had lost its power to direct the relevant activities of the Disposed Entities.

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

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

#### 17. Loans and borrowings

See accounting policies in Note 6I.

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

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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

### Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

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

##### A. Terms and repayment

- i. The Group signed a long-term Murabaha financing agreement with a National Commercial Bank as the Murabaha Investment Agent and Murabaha Participants, amounting to facilities of SAR 2,400 million and USD 166,000 on 1 March 2020. As per the terms of the agreement, the term of the Murabaha facility is for a period of seven years. The Murabaha facility is secured by promissory notes issued by the Company. The facility is repayable in six half yearly installments commencing after 12 months from the date of signing the agreement. As at 31 December 2022, the Group has fully utilized this facility. The interest rate on this facility is SIBOR + 2.7% on loan tranche taken in SR and LIBOR + 3% on loan tranche taken in USD.

The loans contain certain financial covenants. A breach of covenants may lead to renegotiation including increase in profit rates, withdrawal of facility or repayment on demand. The covenants are monitored on a periodic basis by management. In case of potential breach, actions are taken by management to ensure compliance. As at 31 December 2022, there has been non-compliance of certain covenants on the outstanding facility.

The Murabaha commercial terms agreement between the Company and the lending banks mandates that the existing breach of the financial covenants existing breach of financial covenants and clean down conditions considered as an event of default which in turns allows the banks to declare the whole loan outstanding balance to be immediately due and accordingly as at 31 March 2021 the long-term loan balance of SR 2,253 million has been reclassified to be part of the current liabilities on the consolidated statement of financial position. The Company requested the lenders to waive the breach of loans covenants more than once during the year to which the lenders did not agree. However, the lenders have agreed that any waivers of the breach of loan covenants will only be considered in light of successful implementation of Capital Restructuring Transaction, the prepayment of revolving Murabaha Facilities and the corresponding partial cancellation of commitments under the Revolving Murabaha Facilities. The Board of Directors in their meeting dated 10 November 2021 had resolved that the Company will proceed with the rights issue of SR 1,000 million. On the board's recommendation, the shareholders through an extra-ordinary general meeting held on 29 June 2022 have approved the reduction of the share capital of the parent company to absorb the accumulated losses of SAR 952 million as at 31 December 2021. The rights issue is yet to be approved by the shareholders.

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

All amounts are presented in Saudi Riyals unless otherwise stated.



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

### Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

#### 18. Trade and other payables

See accounting policy in Note 6I.

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

#### 19. Employee benefits

See accounting policy in Note 6O.

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

##### A. Movement in employee benefits liability

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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

### Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

#### 19. Employee benefits (continued)

##### B. Significant actuarial assumptions

The significant actuarial assumptions used were as follows:

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

##### C. Sensitivity analysis

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

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

#### 20. Zakat and tax liabilities

See accounting policy in Note 6P.

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

###### Recognized in profit or loss

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

###### Recognized in financial position

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the nine months period ended 31 December 2022

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

#### B. Zakat

i. Movement in zakat liability is as follows:

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

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

ii. Computation of zakat charge is as follows:

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

iii. Status of zakat assessments is as follows:

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

#### C. Income tax

i. Movement in income tax is as follows:

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the nine months period ended 31 December 2022

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

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

i. Status of income tax assessments is as follows:

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

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

### 21. Share capital and Reserves

#### A. Share Capital

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

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

#### B. Statutory reserve

The shareholders of the parent company in their extra-ordinary general meeting held at 29 June 2022 have approved the reduction in the share capital by SAR 952 million through cancellation of 95,233,552 shares of SAR 10 each to absorb the accumulated losses. As at 31 December 2022, the Group has accumulated losses of SAR 292.2 million and therefore no amount from profits has been allocated to statutory reserve.

### 22. Operating segments

See accounting policy in Note 6U.

#### A. Basis for segmentation

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

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

#### Reportable segments

The following table describes the operations of each reportable segments:

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

#### Geographical information

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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

### Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

## 22. Operating segments (continued)

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

	Amount in SR'000				Amount in SR'000				
	Fashion retail	Indoor entertainment	Food and Beverages	Inter-segment elimination	Total	Domestic	International	Inter-segment elimination	Total
	Amount in SR'000				Amount in SR'000				
<b>31 March 2021</b>									
<b>Profit or loss</b>									
Sales	3,886,805	5,230	340,478	-	4,232,513	3,681,645	556,817	(5,949)	4,232,513
Depreciation and amortization	(242,893)	(17,863)	(37,586)	-	(298,342)	(243,982)	(54,360)	-	(298,342)
Finance charges	(333,673)	(4,196)	(17,087)	-	(354,956)	(314,284)	(40,672)	-	(354,956)
<b>Net loss</b>	<b>(989,383)</b>	<b>(51,543)</b>	<b>(67,701)</b>	<b>-</b>	<b>(1,108,627)</b>	<b>(907,469)</b>	<b>(189,325)</b>	<b>(11,833)</b>	<b>(1,108,627)</b>
<b>Statement of financial position</b>									
Non-current assets	5,585,904	151,827	407,536	-	6,145,267	7,890,787	669,422	(2,414,942)	6,145,267
Current assets	2,223,881	2,083	(12,504)	-	2,213,460	2,224,259	(133,359)	122,560	2,213,460
<b>Total liabilities</b>	<b>(7,426,166)</b>	<b>(121,313)</b>	<b>(359,673)</b>	<b>-</b>	<b>(7,907,152)</b>	<b>(7,209,746)</b>	<b>(650,176)</b>	<b>(47,230)</b>	<b>(7,907,152)</b>

All amounts are presented in Saudi Riyals unless otherwise stated.

All amounts are presented in Saudi Riyals unless otherwise stated.

Non-current assets	(660'1)	(957,460'8)	(678,560'8)	--	(19'9'115)	(808,521)	(27,954'7)	(678,560'8)
Current assets	--	342	2,130,880	--	62,370	25,321	2,043,531	2,131,222
<b>Total liabilities</b>	<b>(2,292)</b>	<b>2,336</b>	<b>610,9341</b>	<b>--</b>	<b>444,232</b>	<b>177,284</b>	<b>5,548,469</b>	<b>6,109,985</b>

### Statement of financial position

Non-current assets	(470'15)	38,030	(57,476)	--	(927'13)	(667'51)	85,255	38,030
Current assets	(28,804)	(1,671)	(280,475)	--	(16,882)	(2,986)	(700)	(280,475)
<b>Total liabilities</b>	<b>(33,053)</b>	<b>(1,46,121)</b>	<b>(179,174)</b>	<b>--</b>	<b>(31,664)</b>	<b>(16,792)</b>	<b>(130,418)</b>	<b>(179,174)</b>
Revenue	998,454	5,915,095	5,365,467	--	497,794	51,834	5,365,467	5,915,095
Depreciation and amortization	(33,053)	(146,121)	(130,418)	--	(16,792)	(16,792)	(130,418)	(146,121)
<b>Net profit / (loss)</b>	<b>89,104</b>	<b>(470'15)</b>	<b>38,030</b>	<b>--</b>	<b>(927'13)</b>	<b>(667'51)</b>	<b>85,255</b>	<b>38,030</b>

### 31 March 2022

Non-current assets	(856'009)	(803,350)	(803,350)	-	(7,621'3)	(3,957'02)	(857,157'2)	(803,350)
Current assets	(117,333)	2,065,082	1,947,749	-	25,311	(5,933)	1,928,371	1,947,749
<b>Total liabilities</b>	<b>(973,342)</b>	<b>(7,034,350)</b>	<b>(803,350)</b>	<b>-</b>	<b>(7,621'3)</b>	<b>(3,957'02)</b>	<b>(857,157'2)</b>	<b>(803,350)</b>

### Statement of financial position

Revenue	882,016	3,661,151	4,543,167	-	357,788	47,131	4,441,1	4,543,167
Depreciation and amortization	(21,392)	(104,846)	(126,238)	-	(20,147)	(12,126)	(93,662)	(126,238)
<b>Finance charges</b>	<b>(25,920)</b>	<b>(193,273)</b>	<b>(219,193)</b>	<b>-</b>	<b>(4,284)</b>	<b>(31,428)</b>	<b>(40,672)</b>	<b>(219,193)</b>
<b>Net profit / (loss)</b>	<b>986'818</b>	<b>(659'11)</b>	<b>616'646</b>	<b>-</b>	<b>21,521</b>	<b>(516'6)</b>	<b>83,036</b>	<b>616'646</b>

### 31 December 2022

	Geographical segments			Inter-segment elimination	Total
	Domestic	International	Amount in SR'000		
	Amount in SR'000				
<b>31 December 2022</b>					
<b>Profit or loss</b>					
Revenue	3,661,151	882,016	4,543,167	-	4,543,167
Depreciation and amortization	(104,846)	(21,392)	(126,238)	-	(126,238)
<b>Finance charges</b>	<b>(193,273)</b>	<b>(25,920)</b>	<b>(219,193)</b>	<b>-</b>	<b>(219,193)</b>
<b>Net profit / (loss)</b>	<b>(659'11)</b>	<b>986'818</b>	<b>616'646</b>	<b>-</b>	<b>616'646</b>

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

### B. Information about reportable segments and geographical information

## 22. Operating segments (continued)

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

#### Notes to the consolidated financial statements

For the nine months period ended 31 December 2022



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

### Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

#### 23. Revenue

See accounting policy in Note 6C.

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

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

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

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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

### Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

#### 24. Income and expenses

##### A. Cost of revenue

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

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

##### B. Selling and distribution expenses

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the nine months period ended 31 December 2022

### C. General and administrative expenses

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

### D. Other operating expense

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

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

### E. Other operating income

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

### F. Finance costs over loans and borrowings

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the nine months period ended 31 December 2022

### 25. Earnings per share

See accounting policy in Note 6R.

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

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

The shareholders of the parent company in their extra-ordinary general meeting held at 29 June 2022 have approved the reduction in the share capital by SAR 952 million through cancellation of 95,233,552 shares of SAR 10 each to absorb the accumulated losses. This resulted in 114,766,448 shares outstanding on 30 Dec 2022. The current period earnings per share is based on 114,766,448 shares and comparative figure has been accordingly restated.

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

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

#### A. Accounting classification and fair values

As the Group's financial instruments are compiled under the historical cost convention, except for FVOCI and FVTPL equity investments which are carried at fair values, differences can arise between the book values and fair value estimates. Management believes that the fair value of the Group's financial assets and liabilities are not materially different from their carrying values.

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

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the nine months period ended 31 December 2022

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

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

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

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

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

#### B. Valuation techniques and significant unobservable inputs

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

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the nine months period ended 31 December 2022

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

#### C. Financial risk management

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

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

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

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

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

##### i. Credit risk

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

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

Credit risk on receivable and bank balances is limited as:

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

##### ii. Liquidity risk

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

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

All amounts are presented in Saudi Riyals unless otherwise stated.



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

For the nine months period ended 31 December 2022

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

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

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

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

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

##### ii. Market risk

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

##### Currency risk

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

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

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the nine months period ended 31 December 2022

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

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

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

##### Currency risk (continued)

The following significant exchange rates have been applied:

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

##### Sensitivity analysis

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

Foreign currency	Change in currency	Currency movement vs. Saudi Riyal (SR)					
		31 December 2022		31 March 2022		31 March 2021	
		Strengthening	Weakening	Strengthening	Weakening	Strengthening	Weakening
EUR	+/- 10%	(20,225,000)	20,225,000	(27,439,000)	27,439,000	(9,900,000)	9,900,000
GBP	+/- 10%	(430,000)	430,000	(538,000)	538,000	(529,000)	529,000
UAE Dirham	+/- 10%	(122,525)	122,525	11,118	(11,118)	89,836	(89,836)
CAD	+/- 10%	(5,000)	5,000	--	--	6,000	(6,000)
		<b>(20,782,525)</b>	<b>20,782,525</b>	<b>(27,965,882)</b>	<b>27,965,882</b>	<b>(10,333,164)</b>	<b>10,333,164</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 2,932 million at 31 March 2022 (31 March 2022: SR 2,878 million and 31 March 2021: SR 3,124 million) bear financing commission charges at the prevailing market rates.

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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

### Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

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

See accounting policy in [Note 6.4](#).

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

Balance at 31 December 2022	Retail Group Azerbaijan LLC	Retail Group Armenia CJSC	Models Own Holding Limited	Egypt	Food Gate Company*	Azal Restaurants Company*	First Pizza Company*	Other non-material subsidiaries	Total
NCI percentage	15%	4%	49%	2%	30%	35%	49%		
Non-current assets	82,693,784	61,136,214	-	167,576,483	78,817,480	-	-	-	390,223,961
Current assets	44,123,090	41,032,747	(118,266,348)	46,232,012	14,586,474	-	-	-	27,707,975
Non-current liabilities	(69,805,185)	(50,375,365)	-	(67,043,358)	(64,522,159)	-	-	-	(251,746,067)
Current liabilities	(19,192,045)	(14,134,073)	(17,144,230)	(15,308,921)	(23,471,730)	-	-	-	(89,250,999)
Net assets	37,819,644	37,659,523	(135,410,578)	131,456,216	5,410,065	-	-	-	76,934,870
Net assets attributable to NCI	(11,242,986)	1,332,280	(66,351,183)	(4,401,884)	(11,462,178)	-	-	-	(92,125,951)
Revenue	155,559,196	177,094,731	-	52,378,004	129,950,843	28,207,894	17,224,323	-	560,414,991
Profit / (loss)	16,448,724	20,555,059	-	17,100,240	(3,666,891)	(1,151,567)	(2,273,202)	-	47,012,363
Profit / (loss) allocated to NCI	2,467,309	822,202	-	342,005	(1,100,067)	(403,048)	(1,113,869)	-	1,014,532
Balance at 31 March 2022									
NCI percentage									
Non-current assets			82,279,839	51,996,878		94,161,287	56,678,627	251,886,959	537,003,590
Current assets			43,629,244	12,383,319		24,697,765	18,269,231	66,236,836	46,950,047
Non-current liabilities			(68,154,788)	(42,070,226)		(78,031,807)	(44,705,204)	(134,930,378)	(367,892,403)
Current liabilities			(13,257,295)	(10,730,919)		(75,369,630)	(65,982,342)	(33,172,583)	(215,656,999)
Net assets			44,497,000	11,579,052		(34,542,385)	(35,739,688)	150,020,834	404,235
Net assets attributable to NCI			(11,878,837)	289,061		(10,362,715)	(12,508,891)	(6,266,455)	(107,079,020)
Revenue			146,391,835	143,770,277		185,063,216	(56,184,300)	159,134,281	208,048,877
Profit / (loss)			18,436,024	19,828,633		(17,044,163)	(9,300,092)	11,338,383	23,248,785
Profit / (loss) allocated to NCI			2,765,404	793,145		(5,113,248)	(3,255,032)	(1,851,953)	(6,661,684)

All amounts are presented in Saudi Riyals unless otherwise stated.

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

### Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

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

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

###### Sensitivity analysis

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

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

##### iii. Capital management risk

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

The Group's objectives when managing capital are;

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

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

For the nine months period ended 31 December 2022

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

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

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the nine months period ended 31 December 2022

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

See accounting policy in Note 6T.

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

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

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

#### B. Lease liabilities

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

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

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

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

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

#### D. Rent concessions

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

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For the nine months period ended 31 December 2022

**E. Leases contracts database**

The Group maintains a database of all lease contracts (over 1,000 contracts) that is tested periodically. The database is currently being reviewed by a 3rd party consultant to assess the accuracy and completeness of information included in the database and any potential impact on the consolidated financial statement as of and for the nine months period ended 31 December 2022 and the year ended 31 March 2022 in accordance with the requirements of International Financial Reporting Standard "IFRS" 16 as endorsed in the Kingdom of Saudi Arabia as a result of such revision.

**28. Derivative asset**

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

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

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

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

**30. Commitments**

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

**31. Contingencies**

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

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

**32. Related parties**

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the nine months period ended 31 December 2022

**32. Related parties (continued)****A. Key management personnel compensation**

Key management personnel compensation is comprised as follows:

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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

For the nine months period ended 31 December 2022

**32. Related parties (continued)**

**B. Other related party transactions**

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

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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**Notes to the consolidated financial statements**

For the nine months period ended 31 December 2022

**32.2 Related party transactions (continued)**

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

- i) This balance also represents advances against CWIP which was paid against some construction projects in previous years. During 2022, the Group decided not to go with those construction projects, accordingly advances paid to the Lynx Contracting Company were transferred to Saudi FAS Holding Company as per the agreement between the concerned parties. Management has the intention to settle this balance in cash or in kind.
- ii) Subsequent to the period end, 3 cheques amounting to SR 150 million and SR 119.63 million were paid by Saudi FAS Holding Company against its receivable balance. Cheque amounting to SR 150 million was received in the bank.

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

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

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

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

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

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

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

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

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

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

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

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

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

### Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

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

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

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

### 34. Subsequent events

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

### 35. Approval of the consolidated financial statements

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

### 36. Restatement

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

#### Consolidated statement of financial position

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

#### Note A:

In December 2022, Management identified inventory shortage at a few locations during the physical count exercise. On investigation of that matter, Management discovered that shortage is coming from prior period and didn't captured due to computational error in a physical stock count results for Inventory in prior period. This error resulted in a material overstatement of inventory recognised for the period ending 31 March 21 and prior financial years. The error has been corrected by restating (SR 290 million in available for sale-finished goods and SR 15 million in consumables and supplies) each of the affected financial statement line items for the prior periods.

#### Note B:

During the 2022, Management reassessed its position regarding open cases with ZATCA relating to VAT for a period of April 2020 to March 2021 and Custom for a period of 2015 to 2019 and identified that the provision for these cases was understated as of 31 March 2021. This error resulted in a material understatement of Zakat and taxation provision for the period ending 31 March 21. The error has been corrected by restating SR 53 million each of the affected financial statement line items for the prior periods.

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

All amounts are presented in Saudi Riyals unless otherwise stated.

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

### Notes to the consolidated financial statements

For the nine months period ended 31 December 2022

### 37. DISPOSAL OF A SUBSIDIARY

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

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

All amounts are presented in Saudi Riyals unless otherwise stated.





Cenomi Retail