

**Fawaz Abdulaziz Al Hokair & Co. and its
subsidiaries
(A Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) AND AUDITOR'S LIMITED REVIEW REPORT**

**FOR THE THREE-MONTH PERIOD AND YEAR
ENDED 31 MARCH 2016**

Fawaz Abdulaziz Al Hokair & Co. and its subsidiaries
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD AND YEAR ENDED 31 MARCH 2016

INDEX	PAGE
Auditor's limited review report	1
Interim consolidated balance sheet	2
Interim consolidated statement of income	3
Interim consolidated statement of cash flows	4
Interim consolidated statement of changes in equity	5
Notes to the interim consolidated financial statements	6 – 17

**LIMITED REVIEW REPORT
TO THE SHAREHOLDERS OF FAWAZ ABDULAZIZ AL HOKAIR & CO.
(A SAUDI JOINT STOCK COMPANY)**

SCOPE OF REVIEW

We have reviewed the accompanying interim consolidated balance sheet of Fawaz Abdulaziz Al Hokair & Co.- A Saudi Joint Stock Company (the "Company") and its subsidiaries (the "Group") as at 31 March 2016, and the related interim consolidated statements of income for the three-month period and year ended 31 March 2016, and the interim consolidated statements of cash flows and changes in equity for the year then ended. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

CONCLUSION

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For Ernst & Young



Abdulaziz A. Al-Sowailim
Certified Public Accountant
Registration No. 277



Riyadh: 14 Rajab 1437H
(21 April 2016)

Fawaz Abdulaziz Al Hokair & Co. and its subsidiaries
(A Saudi Joint Stock Company)
INTERIM CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2016

	Note	2016 (Unaudited) SR	2015 (Audited) SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		296,847,214	279,957,636
Trade receivables, prepayments, due from related parties and other receivables	5	1,293,611,865	1,164,062,094
Inventories		2,239,199,221	2,016,265,250
TOTAL CURRENT ASSETS		3,829,658,300	3,460,284,980
NON-CURRENT ASSETS			
Investments in associates and others	6	318,288,854	318,467,050
Property and equipment	7	2,349,209,178	2,046,973,906
Intangible assets – goodwill		804,560,265	798,743,156
Other intangible assets		166,086,705	145,155,772
TOTAL NON-CURRENT ASSETS		3,638,145,002	3,309,339,884
TOTAL ASSETS		7,467,803,302	6,769,624,864
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term Murabaha financing and loans	9	1,093,542,171	833,290,230
Current portion of long-term funding	10	431,937,994	195,587,581
Trade accounts payable		587,424,995	570,495,843
Accrued expenses, due to related parties and other payables		558,306,845	511,151,946
TOTAL CURRENT LIABILITIES		2,671,212,005	2,110,525,600
NON-CURRENT LIABILITIES			
Long-term funding	10	2,102,087,024	2,163,460,629
End-of-service indemnities		88,936,168	78,756,624
TOTAL NON-CURRENT LIABILITIES		2,191,023,192	2,242,217,253
TOTAL LIABILITIES		4,862,235,197	4,352,742,853
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	12	2,100,000,000	2,100,000,000
Statutory reserve	13 (a)	141,875,641	80,295,155
Foreign currency translation reserve	13 (b)	(425,675,840)	(228,569,465)
Retained earnings		791,944,543	447,720,167
TOTAL SHAREHOLDERS' EQUITY		2,608,144,344	2,399,445,857
NON-CONTROLLING INTERESTS		(2,576,239)	17,436,154
TOTAL EQUITY		2,605,568,105	2,416,882,011
TOTAL LIABILITIES AND EQUITY		7,467,803,302	6,769,624,864

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

Fawaz Abdulaziz Al Hokair & Co. and its subsidiaries
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE-MONTH PERIOD AND YEAR ENDED 31 MARCH 2016

Note	For the three-month period ended		For the year ended	
	31 March 2016 (Unaudited) SR	31 March 2015 (Unaudited) SR	31 March 2016 (Unaudited) SR	31 March 2015 (Audited) SR
Sales	1,561,820,290	1,613,954,163	7,276,977,379	6,898,673,324
Direct costs	(1,377,672,107)	(1,205,937,113)	(5,539,346,090)	(5,111,496,492)
GROSS PROFIT	184,148,183	408,017,050	1,737,631,289	1,787,176,832
Selling and marketing expenses	(69,977,710)	(72,511,837)	(331,582,057)	(301,366,415)
General and administrative expenses	(43,174,795)	(47,810,482)	(397,360,172)	(351,048,740)
Depreciation and amortization	(77,493,326)	(74,300,427)	(334,560,530)	(288,908,161)
(LOSS) INCOME FROM MAIN OPERATIONS	(6,497,648)	213,394,304	674,128,530	845,853,516
Share in earnings of associates, net	1,123,105	10,187,166	1,123,105	31,460,690
Financing charges	(33,898,834)	(27,188,965)	(121,574,155)	(100,107,335)
Other income, net	26,462,432	8,333,822	51,741,375	54,817,844
(LOSS) INCOME BEFORE ZAKAT AND INCOME TAX AND NON-CONTROLLING INTERESTS	(12,810,945)	204,726,327	605,418,855	832,024,715
Zakat and income tax charge, net of deferred tax	11 13,305,111	3,637,759	7,197,135	(19,707,110)
INCOME BEFORE NON-CONTROLLING INTERESTS	494,166	208,364,086	612,615,990	812,317,605
Non-controlling interests	2,671,257	(6,623,114)	3,188,872	(9,366,055)
NET INCOME FOR THE PERIOD/YEAR	3,165,423	201,740,972	615,804,862	802,951,550
(LOSSES) EARNINGS PER SHARE:				
Attributable to (loss) income from main operations	15 (0.03)	1.02	3.21	4.03
Attributable to net income for the period/year	15 0.02	0.96	2.93	3.82

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

Fawaz Abdulaziz Al Hokair & Co. and its subsidiaries
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016

	2016 (Unaudited) SR	2015 (Audited) SR
OPERATING ACTIVITIES		
Income before zakat and income tax and non-controlling interests	605,418,855	832,024,715
Adjustments for:		
Depreciation and amortization	334,560,530	288,908,161
Provision for end-of-service indemnities	18,964,104	19,508,824
Gain on disposal of property and equipment	(278,922)	(321,897)
Write-off of property and equipment and other intangible assets	2,994,129	809,813
Share in earnings of associates, net	(1,123,105)	(31,460,690)
	<u>960,535,591</u>	<u>1,109,468,926</u>
Changes in operating assets and liabilities:		
Trade receivables, prepayments, due from related parties and other receivables	(79,213,443)	(351,243,254)
Inventories	(220,160,779)	(480,938,587)
Trade accounts payable	12,677,245	20,340,082
Accrued expenses, due to related parties and other payables	19,922,551	13,350,744
	<u>693,761,165</u>	<u>310,977,911</u>
Cash from operations		
Zakat and income tax paid	(12,551,493)	(61,479,155)
End-of-service indemnities paid	(8,784,560)	(10,914,199)
	<u>672,425,112</u>	<u>238,584,557</u>
Net cash from operating activities		
INVESTING ACTIVITIES		
Purchase of property and equipment	(614,068,693)	(621,573,655)
Other intangible assets	(37,736,040)	(34,157,116)
Acquisition of a subsidiary (note 8)	(12,279,505)	(378,000,000)
Proceeds from disposal of property and equipment	948,550	861,750
Investments in associates and others	(3,698,699)	(55,097,063)
	<u>(666,834,387)</u>	<u>(1,087,966,084)</u>
Net cash used in investing activities		
FINANCING ACTIVITIES		
Proceeds from short-term Murabaha financing and loans, net	260,251,941	367,597,907
Proceeds from long-term funding, net	174,976,808	1,485,981,054
Dividends paid	(210,000,000)	(577,500,000)
Non-controlling interests	-	1,307,711
	<u>225,228,749</u>	<u>1,277,386,672</u>
Net cash from financing activities		
Net increase in cash and cash equivalents	230,819,474	428,005,145
Foreign currency translation difference (note 13-b)	(213,929,896)	(249,054,194)
Cash and cash equivalents at the beginning of the year	279,957,636	101,006,685
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>296,847,214</u>	<u>279,957,636</u>
NON-CASH TRANSACTION:		
Transfer to share capital (note 12)	-	1,050,000,000

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

Fawaz Abdulaziz Al Hokair & Co. and its subsidiaries
(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016**

	Attributable to equity holders of the parent				Total shareholders' equity SR	Non-controlling interests SR	Total equity SR
	Share capital SR	Statutory reserve SR	Foreign currency translation reserve SR	Retained earnings SR			
Balance at 31 March 2014 (audited)	1,050,000,000	328,278,314	-	1,047,467,808	2,425,746,122	27,247,117	2,452,993,239
Transfer to share capital (note 12)	1,050,000,000	(328,278,314)	-	(721,721,686)	-	-	-
Net income for the year	-	-	-	802,951,550	802,951,550	9,366,055	812,317,605
Dividends (note 14)	-	-	-	(577,500,000)	(577,500,000)	-	(577,500,000)
Transfer to statutory reserve (note 13-a)	-	80,295,155	-	(80,295,155)	-	-	-
Non-controlling interests acquired/disposed in subsidiaries (note 2)	-	-	-	(23,182,350)	(23,182,350)	1,307,711	(21,874,639)
Foreign currency translation loss (note 13-b)	-	-	(228,569,465)	-	(228,569,465)	(20,484,729)	(249,054,194)
Balance at 31 March 2015 (audited)	2,100,000,000	80,295,155	(228,569,465)	447,720,167	2,399,445,857	17,436,154	2,416,882,011
Net income for the year	-	-	-	615,804,862	615,804,862	(3,188,872)	612,615,990
Dividends (note 14)	-	-	-	(210,000,000)	(210,000,000)	-	(210,000,000)
Transfer to statutory reserve (note 13-a)	-	61,580,486	-	(61,580,486)	-	-	-
Foreign currency translation loss (note 13-b)	-	-	(197,106,375)	-	(197,106,375)	(16,823,521)	(213,929,896)
Balance at 31 March 2016 (unaudited)	2,100,000,000	141,875,641	(425,675,840)	791,944,543	2,608,144,344	(2,576,239)	2,605,568,105

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

Fawaz Abdulaziz Al Hokair & Co. and its subsidiaries
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
31 MARCH 2016

1. ORGANIZATION AND ACTIVITIES

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 objectives of the Company as per its Bylaws are to engage in the following activities:

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

2. BASIS OF CONSOLIDATION

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

Subsidiary company	Country of incorporation	Direct and indirect shareholding %	
		2016	2015
Al Waheedah Equipment Co. Ltd. and its subsidiaries (i)	Kingdom of Saudi Arabia	100	100
Haifa B. Al Kalam & Partners International Co. for Trading and its subsidiaries (ii)	Kingdom of Saudi Arabia	100	100
Saudi Retail Co. Ltd.	Kingdom of Saudi Arabia	100	100
Wahba Trading Company Limited and its subsidiaries (iii)	Kingdom of Saudi Arabia	100	100
Kazakhstan Group (iv)	Republic of Kazakhstan	100	100
Al Farida Trading Agencies Company	Kingdom of Saudi Arabia	70	70
Retail Group Egypt	Arab Republic of Egypt	98	98
Retail Group Jordan and its subsidiary (v)	Hashemite Kingdom of Jordan	95	95
Nesk Trading Projects Company	Kingdom of Saudi Arabia	100	100
Global Leiva	Spain	100	100

Fawaz Abdulaziz Al Hokair & Co. and its subsidiaries
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
31 MARCH 2016

2. BASIS OF CONSOLIDATION (continued)

- (i) Al Waheedah Equipment Co. directly and indirectly owns certain operating subsidiaries in Azerbaijan and United Arab Emirates (INC brand) as well as dormant subsidiaries in United Arab Emirates. During the final quarter of the year ended 31 March 2015, the company disposed 5% stake in Azerbaijan subsidiaries.
- (ii) Haifa B. Al Kalam & Partners directly and indirectly owns operating subsidiary named Express Fashion Trading (Models Own brand) in United Arab Emirates and certain operating subsidiaries in Georgia, Armenia, United States of America, Morocco, Balkan countries, England and United Arab Emirates, as well as dormant subsidiaries in British Virgin Islands.
- (iii) Wahba Trading Company Limited directly and indirectly owns certain dormant subsidiaries in Kingdom of Saudi Arabia and United Arab Emirates.
- (iv) Kazakhstan Group represents three entities namely Retail Management Kazakhstan, Fashion Retail Kazakhstan and Global Apparel Kazakhstan. All these entities were 85% directly owned. During the final quarter of the year ended 31 March 2015, the Company has completed the acquisition of the remaining 15% equity interests from the non-controlling shareholders of Kazakhstan Group.
- (v) During the quarter ended 30 June 2015, the Company established a company in Republic of Iraq through Retail Group Jordan.

The principal activities of all the above subsidiary companies are wholesale and retail trading. Indirect shareholding represents cross ownership among the subsidiary companies.

A subsidiary is an entity in which the Company has direct and indirect equity interest of more than 50% and/or over which it exerts effective control. The financial statements of the subsidiary companies are prepared using accounting policies which are consistent with those of the Company. The subsidiary companies are consolidated from the date on which the Company is able to exercise effective control.

All significant inter-company balances and transactions have been eliminated on consolidation.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiary companies are identified separately from the Company's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholders' share of changes in equity since the date of the combination. Losses applicable to the non-controlling shareholders' in excess of the non-controlling interests in subsidiaries' equity are allocated against the interest of the Company except to the extent that the non-controlling shareholders' have binding obligation and are able to make additional investments to cover the losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements have been prepared in accordance with the Standard of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. The significant accounting policies adopted by the Company and its subsidiaries in preparing the interim consolidated financial statements, summarized below, are in conformity with those described in the annual audited consolidated financial statements for the year ended 31 March 2015. The interim consolidated financial statements and the accompanying notes should be read in conjunction with the annual audited consolidated financial statements and the related notes for the year ended 31 March 2015.

Accounting convention

The interim consolidated financial statements are prepared under the historical cost convention, as modified to include the measurement, at fair value, of investments in available for sale securities.

Use of estimates

The preparation of interim consolidated financial statements in conformity with generally accepted accounting standards requires use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and activities actual result ultimately may differ from those estimate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purposes of the interim consolidated statement of cash flow, cash and cash equivalents consists of bank balances, cash on hand and short-term deposits have a maturity of three months or less.

Accounts receivable

Prepayments and other assets are stated at original amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a weighted average cost basis.

Investments

Investments in associates

Investments in associates in which the Company and its subsidiaries have equity interest between 20% to 50% and/or over which they exercise significant influence are recorded using the equity method, under which the investment is stated initially at cost and adjusted thereafter for the post acquisition changes in the net assets of the investee companies. The Company and its subsidiaries share in the net earnings or losses of the associates are included in the interim consolidated statement of income.

Investments in available for sale securities

Investments in available for sale securities are stated at fair value and included under non-current assets in the interim consolidated balance sheet. Unrealized gains or losses are included in the interim statement of changes in equity until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is included in the interim consolidated statement of income for the period. Fair value is determined based on the market value if an open active market exists or by using alternative valuation methods. Otherwise cost is considered to be the fair value.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. Land and capital work in progress are not depreciated. The estimated rates of depreciation/ amortization of other classes of assets are as follows:

	<u>Depreciation percentage</u>
Buildings	3%
Leasehold improvements	12.5%
Furniture and office equipment	10%
Motor vehicles	25%

Intangible assets

Goodwill

Goodwill arising from investments in subsidiaries represents the excess of the cost of acquisition over the Company's interests in the fair value of the net assets of these subsidiaries at the date of acquisition. The carrying amount of the goodwill is reviewed annually to determine whether there is any indication of impairment. If any such indication exists the carrying amount of goodwill is reduced to the estimated recoverable amount. Goodwill after initial recognition is measured at cost less accumulated impairment losses, if any.

If the fair value of the net assets acquired is in excess of the aggregate of the cost of acquisition, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate of the cost of acquisition, then the gain is recognized in the interim consolidated statement of income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other intangible assets

Other intangible assets represent software implementation cost, key money, trademarks and other deferred charges, and are amortized using the straight line method over the estimated period of benefit.

The estimated period of amortization of the principal classes of other intangible assets is as follows:

	<u>Years</u>
Software implementation cost	25
Key money	10
Deferred charges	4

Trademarks are not subject to amortization. These are tested for impairment on annual basis.

Impairment of non-current assets

The Company and its subsidiaries periodically reviews the carrying amounts of their non-current tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company and its subsidiaries estimates the recoverable amount of the cash generating unit to which that asset belongs.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment loss is recognized as an expense immediately.

Except for goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash generating unit in prior periods. A reversal of an impairment loss is recognized as income immediately.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not.

Provisions

Provisions are recognized when the Company and its subsidiaries have an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

Zakat and income tax

Zakat is provided in accordance with the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia and on an accrual basis. The provision is charged to the interim consolidated statement of income. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.

For subsidiaries outside the Kingdom of Saudi Arabia, provision for corporate tax is computed in accordance with tax regulations of the respective countries and charged to the interim consolidated statement of income.

Deferred income tax is provided for foreign subsidiaries, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on laws that have been enacted in the respective countries at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat and income tax (continued)

Deferred income tax assets are recognized for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized.

The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Dividends

Interim dividends are recorded as and when declared and approved by the Board of Directors. Annual final dividends are recognized as a liability at the time of their approval by the General Assembly.

End-of-service indemnities

End-of-service indemnities, required by the Saudi Arabian Labor Law, are provided in the interim consolidated financial statements based on the employees' length of service by the Company and its subsidiaries as of the interim consolidated balance sheet date. Foreign subsidiaries have pension schemes for their eligible employees in relevant foreign jurisdictions.

Revenue recognition

Sales are recognized when goods are delivered and invoices are issued to customers.

Dividend income is recognized when dividends are declared.

Other income are recognized when earned.

Expenses

Selling and marketing expenses principally comprise of costs incurred in the distribution and sale of the Company and its subsidiaries products. All other expenses are classified as general and administrative expenses.

Leasing

Rental proceeds under operating leases are recognized as income on a straight line basis over the term of the operating leases.

Rentals payments under operating leases are charged as expenses on the interim consolidated statement of income on a straight line basis over the term of the operating leases.

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the interim consolidated balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the interim consolidated statement of income.

Assets and liabilities of the consolidated subsidiaries denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the interim consolidated balance sheet date. Revenues and expenses of the consolidated subsidiaries denominated in foreign currencies are translated into Saudi Riyals at average exchange rates during the interim period. Component of equity, other than retained earnings, are translated at the rates prevailing at the date of their occurrence. Exchange differences arising from such translations are included in the foreign currency translation reserve under equity in the interim consolidated balance sheet.

Segment reporting

A segment is a distinguishable component of the Company and its subsidiaries that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments.

Fawaz Abdulaziz Al Hokair & Co. and its subsidiaries
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
31 MARCH 2016

4. INTERIM RESULTS

All adjustments that the Company and its subsidiaries' management believe are material for the fair presentation of the interim consolidated financial statements and the results of operations have been incorporated. An interim period forms an integral part of the entire year. Due to the seasonality of the Company and its subsidiaries business, interim results may not be an indicator of the results of the whole financial year.

5. TRADE RECEIVABLES, PREPAYMENTS, DUE FROM RELATED PARTIES AND OTHER RECEIVABLES

Trade receivables, prepayments, due from related parties and other receivables include amounts due from affiliated companies for the construction and rental of outlets amounting to SR 377.4 million (31 March 2015: SR 258.5 million). Such transactions are approved by management in the ordinary course of business.

6. INVESTMENTS IN ASSOCIATES AND OTHERS

	Ownership %	Country of incorporation	Balance at 31 March	
			2016 (Unaudited) SR	2015 (Audited) SR
Associates:				
International Shop Fittings Limited (i)	51.0	United Arab Emirates	37,892,944	37,892,944
Amwal Al Khaleejia Al Oula (ii)	25.0	Kingdom of Saudi Arabia	38,412,239	37,415,000
Investate Reality BSC	13.9	Kingdom of Bahrain	33,743,119	32,841,863
Burberry Saudi Co. Ltd.	25.0	Kingdom of Saudi Arabia	26,717,538	27,376,288
FG 4 Limited	50.0	United Arab Emirates	71,140	187,780
			136,836,980	135,713,875
Others:				
Trade Center Co. Ltd.	9.3	Kingdom of Saudi Arabia	94,000,000	94,000,000
Galleria Mall (iii)	16.7	Kingdom of Saudi Arabia	74,252,274	79,252,274
Other investments			13,199,600	9,500,901
			181,451,874	182,753,175
			318,288,854	318,467,050

Movement in investment in associates during the year ended 31 March 2016 is as follows:

	Balance at 31 March 2015 SR (Audited)	Share in earnings (losses) SR (Unaudited)	Balance at 31 March 2016 SR (Unaudited)
International Shop Fittings Limited	37,892,944	-	37,892,944
Amwal Al Khaleejia Al Oula	37,415,000	997,239	38,412,239
Investate Reality BSC	32,841,863	901,256	33,743,119
Burberry Saudi Co. Ltd.	27,376,288	(658,750)	26,717,538
FG 4 Limited	187,780	(116,640)	71,140
	135,713,875	1,123,105	136,836,980

Fawaz Abdulaziz Al Hokair & Co. and its subsidiaries
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
31 MARCH 2016

6. INVESTMENTS IN ASSOCIATES AND OTHERS (continued)

Movement in investment in associates during the year ended 31 March 2015 is as follows:

	Balance at 31 March 2014 SR (Audited)	Addition SR (Audited)	Share in earnings SR (Audited)	Balance at 31 March 2015 SR (Audited)
International Shop Fittings Limited	24,245,420	-	13,647,524	37,892,944
Amwal Al Khaleejia Al Oula	-	32,025,000	5,390,000	37,415,000
Investate Reality BSC	23,442,697	-	9,399,166	32,841,863
Burberry Saudi Co. Ltd.	24,352,288	-	3,024,000	27,376,288
FG 4 Limited	187,780	-	-	187,780
	<u>72,228,185</u>	<u>32,025,000</u>	<u>31,460,690</u>	<u>135,713,875</u>

- (i) During the year ended 31 March 2014, the Company participated in establishing International Shop Fittings Limited, a limited liability company registered in United Arab Emirates. The objective of the entity is to design, manufacture and sell store shop fits and decorations. The Company does not exerts effective control over the operating and financial policies of the entity, accordingly the investment has been accounted for as an associate.
- (ii) During the year ended 31 March 2015, one of the Company's subsidiary acquired 25% equity interest in Amwal Al Khaleejia Al Oula, a limited liability company registered in the Kingdom of Saudi Arabia. The entity has been established for the sole purpose of investing in and holding shares in United Trading and Marketing Company Limited (U-Mark), a Saudi closed joint stock company.
- (iii) Investment in Galleria Mall represents the Company's share in a Musharaka venture. The venture is for the construction and management of a mall and a hotel. The investment is amortized over the period of 19 years being the legal term life of the investment.

Following is the movement in the investment in Galleria Mall for the year ended 31 March:

	2016 (Unaudited) SR	2015 (Audited) SR
Cost		
At the beginning and end of the year	<u>104,252,274</u>	<u>104,252,274</u>
Accumulated amortization		
At the beginning of the year	25,000,000	20,000,000
Charge for the year	5,000,000	5,000,000
At the end of the year	<u>30,000,000</u>	<u>25,000,000</u>
Net book value	<u>74,252,274</u>	<u>79,252,274</u>

Fawaz Abdulaziz Al Hokair & Co. and its subsidiaries
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
31 MARCH 2016

7. INTANGIBLE ASSETS - GOODWILL

	2016 (Unaudited) SR	2015 (Audited) SR
Nesk Projects Trading Company (*)	417,796,779	417,796,779
Business acquisition – Mango brand (note 8-b)	319,508,613	319,508,613
Wahba Trading Company Limited	61,437,764	61,437,764
Models Own Holding Limited (note 8-a)	5,817,109	-
	<u>804,560,265</u>	<u>798,743,156</u>

- (*) On 10 Dhul-Qadah 1433H (corresponding to 26 September 2012), the Company completed the acquisition process of Nesk Trading Projects Company, a limited liability company registered in the Kingdom of Saudi Arabia, and 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 Company acquired an effective 100% equity interest in Nesk Trading Projects Company through a tender offer by the 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 acquisition was financed through internal funding of SR 13 million and the balance was arranged through Murabaha financing (note 10).

The acquisition has been accounted for using the purchase method of accounting, and accordingly, the purchase price paid has been allocated to the assets and liabilities based on fair values of the assets acquired and liabilities assumed, as determined by both parties. The excess of the consideration paid over the fair value of the assets acquired, including separately identifiable intangible assets, and liabilities assumed has been allocated to goodwill.

8. ACQUISITION OF BUSINESS

- a) During the year ended 31 March 2016, the Company completed the acquisition of 51% equity interest in Models Own Holding Limited, registered in England and Wales, through its indirectly 51% owned subsidiary named Express Fashion Trading Limited registered in the United Arab Emirates for a purchase price of GBP 2 million (equivalent to SR 12.3 million). The acquisition has been accounted for using the purchase method of accounting, and accordingly, the purchase consideration has been allocated based on the provisional fair values of the assets acquired and liabilities assumed as determined by both parties. The excess of the consideration paid over the fair value of the assets acquired, including separately identifiable intangible assets, and liabilities assumed has been allocated to goodwill amounting to SR 5.8 million (note 7). The finalization of the purchase price allocation was still under process as at 31 March 2016.
- b) On 20 Dhul-Qadah 1435H (corresponding to 15 September 2014), the Company signed an agreement with Danah Group Trading Establishment, a sole proprietorship registered in the Kingdom of Saudi Arabia to acquire the business of fashion retail and franchise rights of the international fashion brand "Mango" in the Kingdom of Saudi Arabia.

The consideration paid by the Company for this business acquisition amounted to SR 378 million.

The related business acquisition has been accounted for using the purchase method of accounting, and accordingly, the consideration paid has been allocated based on the fair values of the assets acquired. The excess of the consideration paid over the fair value of the assets acquired has been allocated to goodwill (note 7).

9. SHORT-TERM MURABAHA FINANCING AND LOANS

The Company has short-term Murabaha facilities with local and foreign commercial banks amounting to SR 1,615 million (31 March 2015: SR 1,477 million). As at 31 March 2016, the outstanding balance of these facilities was SR 1,094 million (31 March 2015: SR 833.3 million). The facilities are secured by promissory notes by the Company.

10. LONG-TERM FUNDING

a) *Murabaha financing*

The Company has signed a long-term Murabaha financing agreement with International Finance Corporation (“IFC”), a member of World Bank Group, amounting to USD 50 million (SR 187.5 million) on 1 October 2011. During the year ended 31 March 2013, the Company agreed with IFC to increase the Murabaha facility amount by USD 25 million (SR 93.75 million). As per the terms of the agreement, the term of the Murabaha facility is for a period of five and half years. The Murabaha facility is repayable in equal semi-annual installments commencing after the two years from the date of the first disbursement. The Company has fully utilized this facility. The Murabaha facility carries markup at LIBOR plus agreed margin per annum. The outstanding balance as at 31 March 2016 was SR 105.5 million (31 March 2015: SR 174.5 million).

In connection with the acquisition of Nesk Trading Projects Company (note 7), a debt of SR 717 million was raised. The debt comprises a long-term syndicated Murabaha financing from SAMBA Financial Group, Gulf International Bank and Saudi Hollandi Bank. As per the syndicated facility agreement, the term of the Murabaha facility is for a period of 5 years. The Murabaha facility is repayable in equal 8 installments commencing on March 2014 and ending on October 2017. As at 31 March 2016 the related facility was settled in full in accordance with latest Master Murabaha Facility Agreement signed on 4 June 2014.

On 4 June 2014, the Company has signed a long-term Master Murabaha Facility Agreement (the “Agreement”) of SR 1 billion with various local and regional banks. As per the Agreement, the term of the Murabaha facility is for a period of 7 years. The Murabaha facility is repayable in equal 12 installments commencing on December 2015 and ending on June 2021. As at 31 December 2015, the Company has fully utilized this facility. The Murabaha facility carries markup at SIBOR plus agreed margin per annum. The outstanding balance as at 31 March 2016 was SR 916.7 million (31 March 2015: SR 1,000 million).

On 16 October 2014, the Company has signed a long-term Master Murabaha Facility Agreement (the “Agreement”) of USD 190 million (SR 712.5 million) with Societe General Bank. As per the Agreement, the term of the Murabaha facility is for a period of 5 years. The Murabaha facility is repayable in equal quarterly installments commencing on January 2016 and ending on October 2019. The facility is secured by promissory notes by the Company. As at 31 March 2016, the Company has fully utilized this facility. The Murabaha facility carries markup at LIBOR plus agreed margin per annum. The outstanding balance as at 31 March 2016 was SR 668 million (31 March 2015: SR 712.5 million).

On 13 April 2015, the Company has signed an amendment of the facility agreement (the “Agreement”) which originally signed on 24 December 2013 with local bank to allow an increase in the overall facility amount from SR 235 million to SR 335 million. The amended facility Agreement includes total amount of SR 100 million as medium-term loan. The medium-term loan is repayable in equal 18 quarterly installments commencing on October 2015 and ending on January 2020. The facility is secured by promissory notes by the Company. As at 31 December 2015, the Company has fully utilized the medium-term loan. The outstanding balance of this medium-term loan as at 31 March 2016 was SR 88.7 million (31 March 2015: Nil).

Fawaz Abdulaziz Al Hokair & Co. and its subsidiaries
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
31 MARCH 2016

10. LONG-TERM FUNDING (continued)

a) *Murabaha financing (continued)*

On 28 December 2015, the Company has signed a long-term Master Murabaha Facility Agreement (the "Agreement") of AED 275.6 million (SR 281.1 million) with Abu Dhabi Commercial Bank. As per the Agreement, the term of the Murabaha facility is for a period of 6 years. The Murabaha facility is repayable in equal semi-annual installments commencing on 28 June 2017 and ending on 28 December 2021. The facility is secured by promissory notes by the Company. As at 31 March 2016, the Company has fully utilized this facility. The Murabaha facility carries markup at Emirates Interbank Offered Rate (EIBOR) plus agreed margin per annum.

The above Murabaha facilities are disclosed net of related unamortized upfront fees (including commitment fees) amounting to SR 26.4 million as at 31 March 2016 (31 March 2015: SR 29.3 million).

b) *Sukuk*

On 24 June 2014, the Company has issued Sukuk amounting to SR 500 million at par value of SR 1 million each without discount or premium, maturing in 2019. The Sukuk issuance bear a rate of return based on SIBOR plus an specified margin payable quarterly in arrears from the net income received under the Sukuk assets.

11. ZAKAT AND INCOME TAX

Zakat and income tax are provided for and charged to the interim consolidated statement of income on an estimated basis. Differences resulting from the final zakat and income tax calculation are adjusted at year end.

Zakat status of the Company and its local subsidiaries

The Company has filed its zakat returns with DZIT for all years up to the year ended 31 March 2015 and the zakat certificate is in process to be received. The zakat returns for the years from 31 March 2008 to 31 March 2015 are under review of DZIT.

During the year ended 31 March 2012, the Company received zakat assessment for the years ended 31 March 2002 to 2007, which showed additional claims from DZIT amounting to SR 10 million. The Company has objected on certain items amounted to SR 4 million and accordingly submitted a letter of guarantee for the objected amount and received the final zakat certificate for the said years. The Company has also filed an appeal against the remaining amount of SR 6 million which is under process as at 31 March 2016.

Income tax status of foreign subsidiaries

The income tax returns have been filed with the relevant tax authorities for all years up to the year ended 31 March 2014 for the subsidiaries in Egypt, Morocco and Armenia. For the subsidiary in Georgia, the income tax returns have been filed for all years up to the year ended 31 March 2013. The income tax returns for above subsidiaries are under review by the relevant tax authorities.

For the subsidiaries in Jordan and United States of America, the income tax returns have been filed for all years up to the year ended 31 March 2015 and the assessments have been completed up to years ended 31 March 2013 and 31 March 2014, respectively.

For the subsidiaries in Kazakhstan, Azerbaijan and Balkan Countries the income tax returns have been filed up to the year ended 31 December 2014. The income tax returns are under review by the relevant tax authorities. For the subsidiary in Spain, the income tax returns have been filed for all years up to the year ended 31 December 2014.

11. ZAKAT AND INCOME TAX (continued)

Deferred tax

During the year ended 31 March 2015, Global Leiva, a subsidiary, has recorded deferred tax asset amounting to SR 19.2 million. Global Leiva has further recorded deferred tax asset amounting to SR 45.1 million during the year ended 31 March 2016. Deferred tax asset has been recognized in respect of the subsidiary's tax losses carried forward that are available for offsetting against future taxable profits. As per the subsidiary's business plans, forecasts and budgets, it will be generating enough taxable profit to offset the recognized deferred tax assets.

12. SHARE CAPITAL

On 17 Ramadan 1435H (corresponding to 14 July 2014), the general assembly of shareholders has approved an increase in the share capital of the Company from SR 1,050 million to SR 2,100 million through distribution of one bonus share for every one share held through capitalization of retained earnings amounting to SR 721,721,686 and statutory reserve amounting to SR 328,278,314. All the legal formalities required to enforce the increase in the share capital were completed during the year ended 31 March 2015. Accordingly, the Company's share capital at 31 March 2016 amounted to SR 2,100 million consisting of 210 million shares of SR 10 each fully paid and issued.

13. RESERVES

a) Statutory reserve:

In accordance with Regulations for Companies in Saudi Arabia, the Company must transfer 10% of its net income for the year to the statutory reserve until such reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

b) Foreign currency translation reserve:

During the final quarter of the year ended 31 March 2015, the Company has recorded exchange translation difference aggregating to SR 228.5 million in respect of receivables from foreign subsidiaries and net investment in foreign operations, mainly Commonwealth of Independent States (CIS Countries), Spain and Egypt. The Company has further recorded SR 197 million during the year ended 31 March 2016 mainly in respect of receivables from Kazakhstan, Azerbaijan and Georgia subsidiaries. Such receivables are part of the Company's net investment in these subsidiaries. Settlement for such receivables is not planned and it is unlikely to occur in the foreseeable future.

14. DIVIDENDS

On 13 Ramadan 1436H (corresponding to 30 June 2015), the general assembly of shareholders has approved to distribute final cash dividends of SR 210 million (SR 1 per share) for the six months ended 31 March 2015.

The general assembly of shareholders in its meeting on 17 Ramadan 1435H (corresponding to 14 July 2014) had approved distribution of cash dividends of SR 3 per share totaling SR 315 million for the six months ended 31 March 2014. Moreover, on 25 Dhul-Hijjah 1435H (corresponding to 19 October 2014), the Board of Directors recommended to distribute interim cash dividends of SR 262.5 million (SR 1.25 per share) for the six months period ended 30 September 2014.

15. (LOSSES) EARNINGS PER SHARE

(Losses) earnings per share attributable to (loss) income from main operations and net income was calculated by dividing (loss) income from main operations and net income for the period/year by the number of outstanding ordinary shares during the period/year amounting to 210 million shares.

Fawaz Abdulaziz Al Hokair & Co. and its subsidiaries
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
31 MARCH 2016

16. SEGMENT INFORMATION

The Company and its subsidiaries mainly sell fashion apparels and operate through their various retail outlets scattered in the Kingdom of Saudi Arabia. Further, the Company operates through certain subsidiaries in the international markets, in Jordan, Egypt, Republic of Kazakhstan, United States of America, Republic of Azerbaijan, Georgia, Armenia, Morocco, Spain, Balkan countries, Republic of Iraq, United Arab Emirates and England.

Since the Company and its subsidiaries carry out their activities through one business segment in various geographical areas, segment reporting is provided by geographical area only.

The selected segment information is provided by geographical segments as follows:

	<i>Domestic</i> SR'000	<i>International</i> SR'000	<i>Intersegment elimination</i> SR'000	<i>Total</i> SR'000
<i><u>As at and for the year ended 31</u></i>				
<i><u>March 2016 (Unaudited)</u></i>				
Total assets	7,488,813	2,211,009	(2,232,019)	7,467,803
Total liabilities	4,513,570	2,995,202	(2,646,537)	4,862,235
Sales	5,796,995	1,589,186	(109,204)	7,276,977
<i><u>As at and for the year ended 31 March</u></i>				
<i><u>2015 (Audited)</u></i>				
Total assets	6,748,748	1,920,611	(1,899,734)	6,769,625
Total liabilities	4,096,051	2,255,084	(1,998,392)	4,352,743
Sales	5,232,024	1,783,168	(116,519)	6,898,673

17. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At 31 March, the Company and its subsidiaries had contingent liabilities and capital commitments as follows:

	<i>2016</i> <i>(Unaudited)</i> SR	<i>2015</i> <i>(Audited)</i> SR
Letters of credit and guarantee	<u>989,430,931</u>	<u>1,000,993,132</u>
Operating leases	<u>1,068,585,218</u>	<u>897,759,088</u>
Capital commitment- property and equipment	<u>207,842,516</u>	<u>234,562,872</u>

18. COMPARATIVE FIGURES

Certain figures for the prior period/year have been reclassified to conform with the presentation in the current period/year.

19. APPROVAL OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim consolidated financial statements were approved by the Board of Directors on 13 Rajab 1437H (corresponding to 20 April 2016).