

**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 SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2015

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2015

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Ernst & Young & Co. (Public Accountants)
Al Faisaliah Office Tower
PO Box 2732
King Fahad Road
Riyadh 11461
Saudi Arabia
Registration Number: 45

Tel: +966 11 273 4740
Fax: +966 11 273 4730

www.ey.com

**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 30 September 2015, and the related interim consolidated statements of income for the three-month and six-month periods ended 30 September 2015, cash flows and changes in equity for the six-month period 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: 7 Muhurram 1437H
(20 October 2015)

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

INTERIM CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2015

	Note	30 September 2015 (Unaudited) SR	30 September 2014 (Unaudited) SR
ASSETS			
CURRENT ASSETS			
Cash and bank balances		328,834,947	366,772,556
Trade receivables, prepayments, due from related parties and other receivables	5	1,204,162,709	1,048,866,040
Inventories		2,223,745,420	1,929,983,463
TOTAL CURRENT ASSETS		3,756,743,076	3,345,622,059
NON-CURRENT ASSETS			
Investments in associates and others	6	319,718,533	303,238,724
Property and equipment		2,189,653,212	1,972,931,080
Intangible assets – goodwill	7	804,560,265	798,743,156
Other intangible assets		158,709,475	140,840,824
TOTAL NON-CURRENT ASSETS		3,472,641,485	3,215,753,784
TOTAL ASSETS		7,229,384,561	6,561,375,843
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term Murabaha financing and loans	9	899,875,936	833,655,404
Current portion of long-term funding	10	387,810,149	69,761,526
Trade accounts payable		670,430,195	744,429,385
Accrued expenses, due to related parties and other payables		527,108,590	583,061,667
TOTAL CURRENT LIABILITIES		2,485,224,870	2,230,907,982
NON-CURRENT LIABILITIES			
Long-term funding	10	2,038,859,623	1,622,777,517
End-of-service indemnities		87,698,635	75,483,030
TOTAL NON-CURRENT LIABILITIES		2,126,558,258	1,698,260,547
TOTAL LIABILITIES		4,611,783,128	3,929,168,529
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	12	2,100,000,000	2,100,000,000
Statutory reserve	13 (a)	80,295,155	-
Foreign currency translation reserve	13 (b)	(633,525,326)	-
Retained earnings		759,190,180	505,761,293
TOTAL SHAREHOLDERS' EQUITY		2,605,960,009	2,605,761,293
MINORITY INTERESTS		11,641,424	26,446,021
TOTAL EQUITY		2,617,601,433	2,632,207,314
TOTAL LIABILITIES AND EQUITY		7,229,384,561	6,561,375,843

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 AND SIX-MONTH PERIODS ENDED 30 SEPTEMBER 2015

	Note	<i>For the three-month period ended</i>		<i>For the six-month period ended</i>	
		<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
		<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
		SR	SR	SR	SR
Sales		2,197,147,956	2,071,635,168	4,174,938,240	3,736,205,583
Direct costs		(1,563,553,878)	(1,497,164,164)	(3,011,742,624)	(2,719,984,465)
GROSS PROFIT		633,594,078	574,471,004	1,163,195,616	1,016,221,118
Selling and marketing expenses		(96,223,944)	(95,314,538)	(187,144,579)	(165,577,006)
General and administrative expenses		(119,682,831)	(115,599,638)	(236,427,656)	(203,857,448)
Depreciation and amortization		(85,923,075)	(73,169,194)	(168,339,268)	(140,506,470)
INCOME FROM MAIN OPERATIONS		331,764,228	290,387,634	571,284,113	506,280,194
Financing charges		(29,007,117)	(20,077,559)	(56,866,735)	(48,128,365)
Other income, net		7,667,341	41,949,185	10,349,100	53,284,958
INCOME BEFORE ZAKAT AND INCOME TAX AND MINORITY INTERESTS		310,424,452	312,259,260	524,766,478	511,436,787
Zakat and income tax charge, net of deferred tax	11	(219,685)	(8,017,825)	(4,726,277)	(15,925,010)
INCOME BEFORE MINORITY INTERESTS		310,204,767	304,241,435	520,040,201	495,511,777
Minority interests		463,610	(497,762)	1,429,812	(496,606)
NET INCOME FOR THE PERIOD		310,668,377	303,743,673	521,470,013	495,015,171
EARNINGS PER SHARE:					
Attributable to income from main operations	15	<u>1.58</u>	<u>1.38</u>	<u>2.72</u>	<u>2.41</u>
Attributable to net income for the period	15	<u>1.48</u>	<u>1.45</u>	<u>2.48</u>	<u>2.36</u>

شركة فواز عبد العزيز الحكير وشركاه
٢٠١٥/٠٩/٣٠
شركة مساهمة سعودية

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 SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2015

	2015 (Unaudited) SR	2014 (Unaudited) SR
OPERATING ACTIVITIES		
Income before zakat and income tax and minority interests	524,766,478	511,436,787
Adjustments for:		
Depreciation and amortization	168,339,268	140,506,470
Provision for end-of-service indemnities	11,888,229	10,932,066
(Gain) loss on disposal of property and equipment	(16,935)	647,756
Write-off of property and equipment	1,652,215	-
Share in earnings of associates	-	(13,647,524)
	<u>706,629,255</u>	<u>649,875,555</u>
Changes in operating assets and liabilities:		
Trade receivables, prepayments, due from related parties and other receivables	(15,691,835)	(171,773,388)
Inventories	(204,706,978)	(394,656,800)
Trade accounts payable	95,682,445	194,273,624
Accrued expenses, due to related parties and other payables	(6,377,305)	(12,545,183)
	<u>575,535,582</u>	<u>265,173,808</u>
Cash from operations	575,535,582	265,173,808
Zakat and income tax paid	(3,445,756)	(24,165,219)
End-of-service indemnities paid	(2,946,218)	(5,611,035)
	<u>569,143,608</u>	<u>235,397,554</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(297,126,415)	(407,475,323)
Other intangible assets	(22,026,933)	(23,592,823)
Acquisition of a subsidiary (note 8-a)	(12,279,505)	(378,000,000)
Proceeds from disposal of property and equipment	31,550	298,750
Investments in associates and others	(3,751,483)	(31,999,553)
	<u>(335,152,786)</u>	<u>(840,768,949)</u>
Net cash used in investing activities	(335,152,786)	(840,768,949)
FINANCING ACTIVITIES		
Proceeds from short-term Murabaha financing and loans, net	66,585,706	367,963,081
Proceeds from long-term funding, net	67,621,562	819,471,887
Dividends paid	(210,000,000)	(315,000,000)
Minority interests	88,300	(1,297,702)
	<u>(75,704,432)</u>	<u>871,137,266</u>
Net cash (used in) from financing activities	(75,704,432)	871,137,266
Net increase in cash and bank balances	158,286,390	265,765,871
Foreign currency translation difference (note 13-b)	(109,409,079)	-
Cash and bank balances at the beginning of the period	279,957,636	101,006,685
	<u>328,834,947</u>	<u>366,772,556</u>
CASH AND BANK BALANCES AT THE END OF THE PERIOD		
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)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
30 SEPTEMBER 2015

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 %	
		2015	2014
Al Waheedah Equipment Co. Ltd. and its subsidiaries (i) 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	85
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
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
30 SEPTEMBER 2015

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) and 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, and 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 minority 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.

Minority interest in the net assets (excluding goodwill) of consolidated subsidiary companies is identified separately from the Company's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in subsidiary's equity are allocated against the interest of the Company except to the extent that the minority has a binding obligation and is able to make an additional investment 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.

Fawaz Abdulaziz Al Hokair & Co. and its subsidiaries
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
30 SEPTEMBER 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 revaluation 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.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
30 SEPTEMBER 2015

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 219.5 million (2014: SR 187.8 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	
			30 September 2015 (Unaudited) SR	30 September 2014 (Unaudited) 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	37,415,000	32,025,000
Investate Reality BSC	13.9	Kingdom of Bahrain	32,841,863	23,442,697
Burberry Saudi Co. Ltd.	25.0	Kingdom of Saudi Arabia	27,376,288	24,352,288
FG 4 Limited	50.0	United Arab Emirates	187,780	187,780
			<u>135,713,875</u>	<u>117,900,709</u>
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	76,752,274	81,752,274
Other investments			13,252,384	9,585,741
			<u>184,004,658</u>	<u>185,338,015</u>
			<u>319,718,533</u>	<u>303,238,724</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 exert 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.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
30 SEPTEMBER 2015

6. INVESTMENTS IN ASSOCIATES AND OTHERS (continued)

Following is the movement in the investment in Galleria Mall for the period ended 30 September:

	30 September 2015 (Unaudited) SR	30 September 2014 (Unaudited) SR
<i>Cost</i>		
At the beginning and end of the period	104,252,274	104,252,274
<i>Accumulated amortization</i>		
At the beginning of the period	25,000,000	20,000,000
Charge for the period	2,500,000	2,500,000
At the end of the period	27,500,000	22,500,000
<i>Net book value</i>	76,752,274	81,752,274

7. INTANGIBLE ASSETS - GOODWILL

	30 September 2015 (Unaudited) SR	30 September 2014 (Unaudited) 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	-
	804,560,265	798,743,156

(*) 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.

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8. ACQUISITION OF BUSINESS

- a) During the period ended 30 September 2015, 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. The finalization of the purchase price allocation was still under process as at 30 September 2015.
- 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).

The purchase price paid has been allocated to the assets based on fair values of the assets acquired, as determined by both parties. The final fair values of the identifiable assets based on management most recent assessment are as follows:

	<i>31 July 2014</i>
	SR
ASSETS	
Inventories	1,133,713
Property and equipment	57,357,674
Total assets	<u>58,491,387</u>
Assets acquired	58,491,387
Goodwill arising on acquisition (note 7)	319,508,613
Cost of acquisition	<u><u>378,000,000</u></u>

9. SHORT-TERM MURABAHA FINANCING AND LOANS

The Company has short-term Murabaha facilities with local and foreign commercial banks amounting to SR 1,577 million (30 September 2014: SR 833.7 million). As at 30 September 2015, the outstanding balance of these facilities was SR 899.9 million (30 September 2014: SR 833.7 million). The facilities are secured by promissory notes by the Company.

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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 30 September 2015 was SR 139.7 million (30 September 2014: SR 209.3 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 30 September 2015 the related facility was settled in full in accordance with latest Master Murahaba 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 30 September 2015, the Company has fully utilized this facility. The Murabaha facility carries markup at SIBOR plus agreed margin per annum.

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 30 September 2015, the Company has fully utilized this facility. The Murabaha facility carries markup at LIBOR plus agreed margin per annum.

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 30 September 2015, the Company has fully utilized the medium-term loan.

The above Murabaha facilities are disclosed net of related unamortized upfront fees (including commitment fees) amounting to SR 26.5 million as at 30 September 2015 (30 September 2014: SR 19 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.

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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 2014 and received the zakat certificate. The zakat returns for the years from 31 March 2008 to 31 March 2014 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 30 September 2015.

Income tax status of foreign subsidiaries

The income tax returns have been filed by 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 2014 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.

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 19.2 million during the quarter ended 30 September 2015. 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 30 September 2015 amounted to SR 2,100 million consisting of 210 million shares of SR 10 each fully paid and issued.

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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 217.4 million in respect of receivables from foreign subsidiaries, mainly Commonwealth of Independent States (CIS Countries), Spain and Egypt. The Company has further recorded SR 109.4 million during the six-month period ended 30 September 2015 mainly in respect of receivables from Kazakhstan subsidiary. 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.

In addition to above, the Company had recorded debit exchange translation differences amounting to SR 11.1 million arising on the Company's net investment in foreign operations during the final quarter of the year ended 31 March 2015. During the period ended 30 September 2015, the Company recorded credit exchange translation differences of SR 13.1 million.

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.

15. EARNINGS PER SHARE

Earnings per share attributable to income from main operations and net income was calculated by dividing income from main operations and net income for the period by the number of outstanding ordinary shares during the period amounting to 210 million shares.

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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>As at and for the period ended</i>				
<i>30 September 2015 (Unaudited)</i>				
Total assets	7,091,983	2,133,229	(1,995,827)	7,229,385
Total liabilities	4,221,216	2,695,192	(2,304,625)	4,611,783
Sales	3,399,509	821,566	(46,137)	4,174,938
<i>As at and for the period ended</i>				
<i>30 September 2014 (Unaudited)</i>				
Total assets	6,317,198	1,880,102	(1,635,924)	6,561,376
Total liabilities	3,575,599	1,957,951	(1,604,381)	3,929,169
Sales	2,814,220	921,986	-	3,736,206

17. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At 30 September, the Company and its subsidiaries had contingent liabilities and capital commitments as follows:

	<i>30 September 2015</i> <i>(Unaudited)</i> SR	<i>30 September 2014</i> <i>(Unaudited)</i> SR
Letters of credit and guarantee	<u>965,093,782</u>	<u>749,373,248</u>
Capital commitment- property and equipment	<u>203,889,855</u>	<u>219,424,846</u>

18. COMPARATIVE FIGURES

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

19. APPROVAL OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim consolidated financial statements were approved by the Board of Directors on 6 Muhurram 1437H (corresponding to 19 October 2015).