

**FAWAZ ABDULAZIZ
AL HOKAIR & COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim financial statements
For the three and six month periods
ended 30 September 2017
together with the
Independent Auditors' Report**

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(A Saudi Joint Stock Company)
Condensed consolidated interim financial statements
For the three and six month periods ended 30 September 2017
(All amounts in Saudi Riyals unless otherwise stated)

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To: **The Shareholders**
Fawaz Abdulaziz AlHokair & Co.
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying 30 September 2017 condensed consolidated interim financial statements of **Fawaz Abdulaziz AlHokair & Co.** and its subsidiaries (collectively referred to as "the Group") which comprises:

- the condensed consolidated statement of financial position as at 30 September 2017;
- the condensed consolidated statement of profit or loss for the three-month and six-month periods ended 30 September 2017;
- the condensed consolidated statement of comprehensive income for the three-month and six-month periods ended 30 September 2017;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 September 2017;
- the condensed consolidated statement of cash flows for the six-month period ended 30 September 2017; and
- the notes to the condensed consolidated interim financial statements.

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

Scope of review

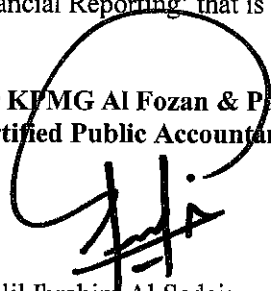
We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making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



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2017 condensed consolidated interim financial statements of **Fawaz Abdulaziz AlHokair & Co.** and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants


Khalil Ibrahim Al Sedais
License No: 371

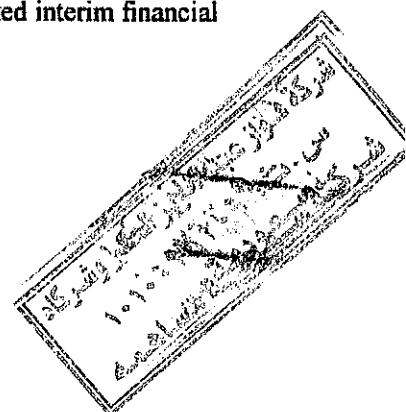


Date: 16 Safar 1439H
Corresponding to: 5 November 2017

FAWAZ ABDULAZIZ AL HOKAIR & COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2017
(All amounts in Saudi Riyals unless otherwise stated)

		Unaudited 30 September 2017	Audited 31 March 2017 (Adjusted – Note 7)	Audited 1 April 2016 (Adjusted – Note 7)
	<u>Notes</u>			
Assets				
Non-current assets				
Property and equipment	10	2,208,868,276	2,106,884,494	2,385,417,730
Investment properties	11	66,752,274	69,252,274	74,252,274
Intangible assets and goodwill	12	908,212,756	911,657,280	936,226,279
Investments in associates and others	13	174,809,087	183,987,163	241,036,321
Receivable from disposal of a subsidiary		230,000,000	280,000,000	--
Total non-current assets		<u>3,588,642,393</u>	<u>3,551,781,211</u>	<u>3,636,932,604</u>
Current assets				
Inventories	14	2,024,114,327	2,083,766,718	2,245,709,544
Trade receivables, prepayments and other assets	15	1,104,702,265	984,060,517	828,912,788
Amounts due from related parties	20	409,178,139	356,625,461	325,128,111
Cash and cash equivalents		316,187,458	364,830,529	296,858,268
Total current assets		<u>3,854,182,189</u>	<u>3,789,283,225</u>	<u>3,696,608,711</u>
Total assets		<u>7,442,824,582</u>	<u>7,341,064,436</u>	<u>7,333,541,315</u>
Equity and liabilities				
Equity				
Share capital	21	2,100,000,000	2,100,000,000	2,100,000,000
Statutory reserve		180,992,561	180,992,561	141,875,641
Foreign currency translation reserve		(583,299,185)	(532,891,748)	(425,675,840)
Retained earnings		1,268,331,094	1,029,083,218	622,418,908
Total shareholders' equity		<u>2,966,024,470</u>	<u>2,777,184,031</u>	<u>2,438,618,709</u>
Non-controlling interest		(7,989,449)	(16,018,946)	(2,576,239)
Total equity		<u>2,958,035,021</u>	<u>2,761,165,085</u>	<u>2,436,042,470</u>
Non-current liabilities				
Non-current of portion long term borrowings	16.1	1,001,159,893	1,229,652,106	2,102,087,024
Post-employment benefits	17	125,453,840	116,333,090	120,565,000
Total non-current liabilities		<u>1,126,613,733</u>	<u>1,345,985,196</u>	<u>2,222,652,024</u>
Current liabilities				
Trade and other payables		635,840,133	600,941,729	591,169,451
Accruals and other liabilities	18	638,405,636	554,921,665	554,395,194
Amounts due to related parties	20	1,381,761	--	3,802,011
Short-term borrowings	16.2	1,624,493,091	1,584,918,565	1,093,542,171
Current portion of long term borrowings	16.1	458,055,207	493,132,196	431,937,994
Total current liabilities		<u>3,358,175,828</u>	<u>3,233,914,155</u>	<u>2,674,846,821</u>
Total liabilities		<u>4,484,789,561</u>	<u>4,579,899,351</u>	<u>4,897,498,845</u>
Total liabilities and equity		<u>7,442,824,582</u>	<u>7,341,064,436</u>	<u>7,333,541,315</u>

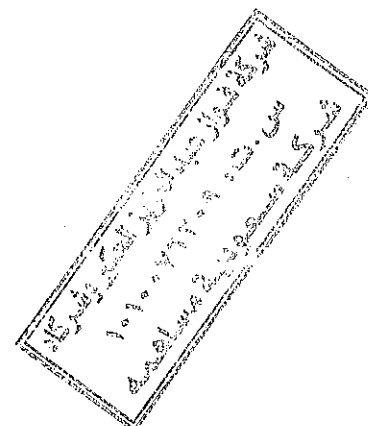
The attached notes from 1 to 26 are an integral part of these condensed consolidated interim financial statements.



FAWAZ ABDULAZIZ AL HOKAIR & CO.
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the three and six month periods ended 30 September 2017
(All amounts in of Saudi Riyals unless otherwise stated)

	July - September 2017	July- September 2016	April - September 2017	April - September 2016
<i>Notes</i>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations:				
Revenue	1,503,546,173	1,665,258,705	3,573,486,714	3,855,189,831
Cost of sales	(1,203,426,947)	(1,349,645,140)	(2,722,911,477)	(2,970,777,472)
Gross profit	300,119,226	315,613,565	850,575,237	884,412,359
Selling and distribution expenses	(59,562,564)	(45,168,707)	(127,288,458)	(110,377,757)
General and administrative expenses	(79,744,924)	(88,744,426)	(179,930,708)	(186,435,274)
Depreciation and amortization	(74,601,518)	(71,841,920)	(151,110,503)	(159,022,560)
Operating profit	86,210,220	109,858,513	392,245,568	428,576,768
Finance costs	(39,549,880)	(41,112,436)	(88,366,999)	(86,590,896)
Other (expenses) / income	(35,580,208)	10,495,787	(39,972,261)	19,200,967
Profit before loss from discontinued operations, zakat and income tax	11,080,132	79,241,863	263,906,308	361,186,839
Discontinued operation:				
Loss from discontinued operations, net of tax	-	-	-	(46,447,251)
Profit before zakat and income tax	11,080,132	79,241,863	263,906,308	314,739,588
Zakat and income tax expense	19 (5,482,370)	(12,780,277)	(26,598,624)	(26,324,193)
Profit for the period	5,597,762	66,461,586	237,307,684	288,415,395
Profit for the period is attributable to:				
Shareholders of the Company	6,840,428	66,818,433	239,247,876	290,011,034
Non-controlling interest	(1,242,666)	(356,847)	(1,940,192)	(1,595,639)
	5,597,762	66,461,586	237,307,684	288,415,395
Earnings per share				
Basic and diluted earnings per share attributable to shareholders' of the Company	9	0.03	0.32	1.14
				1.38

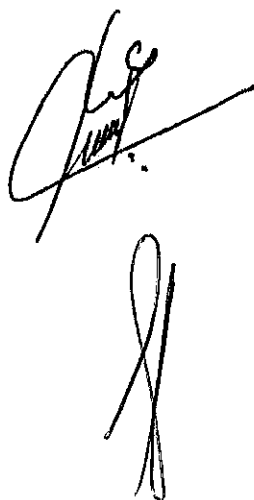
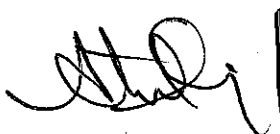
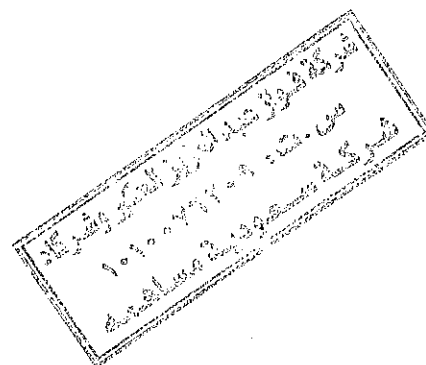
The attached notes from 1 to 26 are an integral part of these condensed consolidated interim financial statements.



FAWAZ ABDULAZIZ AL HOKAIR & CO.
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three and six month period ended 30 September 2017
(All amounts in Saudi Riyals unless otherwise stated)

	July- September 2017 (Unaudited)	July- September 2016 (Unaudited)	April - September 2017 (Unaudited)	April - September 2016 (Unaudited)
Profit for the period	5,597,762	66,461,586	237,307,684	288,415,395
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of foreign operations	<u>(14,617,723)</u>	<u>(33,470,561)</u>	<u>(40,437,748)</u>	<u>(43,806,270)</u>
Net total items that may be reclassified subsequently to profit or loss	(14,617,723)	(33,470,561)	(40,437,748)	(43,806,270)
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Actuarial gains on re-measurement of employees' end of service benefits	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net total items that will not be reclassified subsequently to profit or loss	--	--	--	--
Total other comprehensive income for the period	<u>(14,617,723)</u>	<u>(33,470,561)</u>	<u>(40,437,748)</u>	<u>(43,806,270)</u>
Total comprehensive income for the period	<u>(9,019,961)</u>	<u>32,991,025</u>	<u>196,869,936</u>	<u>244,609,125</u>
Total comprehensive income for the period attributable to:				
Shareholders of the Company	<u>(16,829,094)</u>	<u>33,728,079</u>	<u>188,840,439</u>	<u>248,039,608</u>
Non-controlling interest	<u>7,809,133</u>	<u>(737,054)</u>	<u>8,029,497</u>	<u>(3,430,483)</u>
	<u>(9,019,961)</u>	<u>32,991,025</u>	<u>196,869,936</u>	<u>244,609,125</u>

The attached notes from 1 to 26 are an integral part of these condensed consolidated interim financial statements.

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 September 2017

(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Foreign currency translation reserve	Retained earnings	Total share holders' equity	Non-Controlling interest	Total equity
Balance at 1 April 2016 (Audited)	2,100,000,000	141,875,641	(425,675,840)	622,418,908	2,438,618,709	(2,576,239)	2,436,042,470
Profit for the period	--	--	--	290,011,034	290,011,034	(1,595,639)	288,415,395
Other comprehensive income	--	--	(41,971,426)	--	(41,971,426)	(1,834,844)	(43,806,270)
Total comprehensive income for the period	--	--	(41,971,426)	--	--	--	--
Foreign currency translation loss realized on disposal of subsidiary	--	--	(41,971,426)	290,011,034	248,039,608	(3,430,483)	244,609,125
Balance at 30 September 2016 (Unaudited)	2,100,000,000	141,875,641	40,614,631	912,429,942	40,614,631	--	40,614,631
			(427,032,635)		2,727,272,948	(6,006,722)	2,721,266,226
Balance at 1 April 2017 (Audited)	2,100,000,000	180,992,561	(532,891,748)	1,029,083,218	2,777,184,031	(16,018,946)	2,761,165,085
Profit for the period	--	--	--	239,247,876	239,247,876	(1,940,192)	237,307,684
Other comprehensive income	--	--	(50,407,437)	--	(50,407,437)	9,969,689	(40,437,748)
Total comprehensive income for the period	--	--	(50,407,437)	239,247,876	188,840,439	8,029,497	196,869,936
Balance at 30 September 2017 (Unaudited)	2,100,000,000	180,992,561	(583,299,185)	1,268,331,094	2,965,024,470	(7,989,449)	2,957,035,021

The attached notes from 1 to 26 are an integral part of these condensed consolidated interim financial statements.



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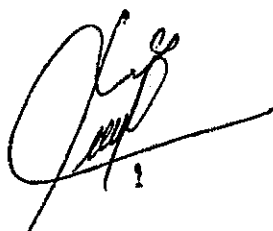
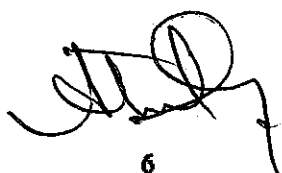
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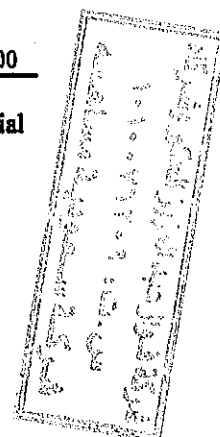
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FAWAZ ABDULAZIZ AL HOKAIR & CO.
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six month period ended 30 September 2017
(All amounts in Saudi Riyals unless otherwise stated)

	Unaudited For the 6 month period ended 30 September 2017	Unaudited For the 6 month period ended 30 September 2016 (Adjusted)
Operating activities		
Profit before zakat and income tax	263,906,308	314,739,588
<i>Adjustments for:</i>		
Depreciation and amortization	151,110,503	159,022,560
Provision for employees' end of service benefits	13,459,500	14,474,000
(Reversal) / provision against doubtful receivables	(9,844,527)	6,419,415
Provision against doubtful advances against investments	—	4,934,190
Provision against doubtful related party receivables	—	13,721,678
Provision for slow moving inventory	41,070,375	134,470,955
Write-off of advance against investments	—	407,259
Net gain on disposal of property and equipment	62,459	544,898
	<u>459,764,618</u>	<u>648,734,543</u>
Changes in working capital:		
Inventories	18,582,016	(160,092,858)
Trade receivables , prepayment and other current assets	(60,797,221)	(108,524,672)
Trade and other payables	34,898,404	5,883,402
Accruals and other liabilities	70,445,586	54,896,867
Amounts due from/to related parties, net	(51,170,917)	(26,684,564)
Cash generated from operations	<u>471,722,486</u>	<u>414,212,718</u>
Zakat and income tax paid	<u>(13,560,239)</u>	<u>(2,669,992)</u>
Post-employment benefits paid	<u>(4,338,750)</u>	<u>(6,845,917)</u>
Net cash inflow from operating activities	<u>453,823,497</u>	<u>404,696,809</u>
Investing activities		
Additions to property and equipment	(248,624,060)	(71,783,783)
Additions to intangible assets	(3,361,187)	830,410
Disposal of discontinued operations, net of cash disposed	—	(14,443,113)
Proceeds from sale of property and equipment	4,773,027	39,000
Investment in associate and others, net	9,178,076	(6,944,419)
Net cash outflow from investing activities	<u>(238,034,144)</u>	<u>(92,301,905)</u>
Financing activities		
Proceeds from short term borrowings	39,574,526	19,831,177
Repayment of long term borrowings	(263,569,202)	(214,883,475)
Net cash outflow from financing activities	<u>(223,994,676)</u>	<u>(195,052,298)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(8,205,323)</u>	<u>117,342,606</u>
Cash and cash equivalents at the beginning of the period	<u>364,830,529</u>	<u>296,858,268</u>
Effect of exchange rate change on cash and cash equivalents	<u>(40,437,748)</u>	<u>(43,806,270)</u>
Cash and cash equivalents at end of the period	<u>316,187,458</u>	<u>370,394,604</u>
Non-cash financing and investing activities:		
- Receivable from disposal of a subsidiary	—	350,000,000

The attached notes from 1 to 26 are an integral part of these condensed consolidated interim financial statements.



FAWAZ ABDULAZIZ AL HOKAIR & COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2017
(All amounts in Saudi Riyals unless otherwise stated)

1. CORPORATE INFORMATION

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

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

- Wholesale and retail trading in ready-made cloth for men, women and children, shoes, textiles, house and office furniture, perfumes, natural cosmetics, ornaments and beauty materials and their compounds and traditional jewelry.
- Wholesale and retail trading in sportswear and shoes and related items.
- Management and operation of optics centers and wholesale and retail trading in eyeglasses, sunglasses, contact lenses, optical equipment and accessories.
- Trading agencies.
- Purchase of land and construction of buildings thereon for running the Group's activities and business.
- Manufacture, wholesale and retail in 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. GROUP STRUCTURE

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

<u>Subsidiaries</u>	<u>Country of incorporation</u>	Ownership interest held by the Group as at:		
		30 September 2017	30 September 2016	1 April 2016
Al Waheedah Equipment Co. Ltd.	Kingdom of Saudi Arabia	100	100	100
Haifa B. Al Kalam & Partners Co. for trading	Kingdom of Saudi Arabia	100	100	100
Logistics Fashion Trading	United Arab Emirates	100	100	100
Advanced Fashion Concepts	United Arab Emirates	100	100	100
International Fashion Franchising	United Arab Emirates	100	100	100
Saudi Retail Co. Ltd	Kingdom of Saudi Arabia	100	100	100
Wahba Trading Company Limited	Kingdom of Saudi Arabia	100	100	100
Fashion Retail Kazakhstan LLP	Republic of Kazakhstan	100	100	100
Global Apparel Kazakhstan LLP	Republic of Kazakhstan	100	100	100
Retail Group Georgia LLC	Georgia	100	100	100
Master Retail Georgia LLC	Georgia	100	100	100
Spanish Retail Georgia LLC	Georgia	100	100	100

FAWAZ ABDULAZIZ AL HOKAIR & COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six month period ended 30 September 2017

(All amounts in Saudi Riyals unless otherwise stated)

2. GROUP STRUCTURE (CONTINUED)

<u>Subsidiaries</u>	<u>Country of incorporation</u>	Ownership interest held by the Group as at:		
		30 September 2017	30 September 2016	1 April 2016
Pro Retail Georgia LLC	Georgia	100	100	100
Best Retail Georgia LLC	Georgia	100	100	100
Mega Store Georgia LLC	Georgia	100	100	100
Fashion Retail Georgia LLC	Georgia	100	100	100
Global Apparel Georgia LLC	Georgia	100	100	100
Retail Group Holding LLC	Georgia	100	100	100
RGAM Retail Group Armenia CJSC	Armenia	100	100	100
Spanish Retail CJSC	Armenia	100	100	100
ZR Fashion Retail CJSC	Armenia	100	100	100
Global Apparel CJSC	Armenia	100	100	100
BR Fashion Retail CJSC	Armenia	100	100	100
Master Retail CJSC	Armenia	100	100	100
Best Retail CJSC	Armenia	100	100	100
Retail Group CJSC	Armenia	100	100	100
Pro Retail CJSC	Armenia	100	100	100
International Retail of Morocco	Morocco	100	100	100
Nesk Trading Projects Company	Kingdom of Saudi Arabia	100	100	100
Retail Group of America	United States of America	100	100	100
Monsoon Accessories USA	United States of America	100	100	100
Retail Group Jennyfer	United States of America	100	100	100
Retail Group France	United States of America	100	100	100
Retail Group Spain	United States of America	100	100	100
Retail Group Germany	United States of America	100	100	100
Retail Group Lipsy	United States of America	100	100	100
Retail Group Zippy	United States of America	100	100	100
Retail Group Cortefiel	United States of America	100	100	100
Retail Group Flormar	United States of America	100	100	100
Retail Group Balkans doo Beograd	Republic of Serbia	100	100	100
Retail Group Balkans doo Podgorica	Balkan Peninsula	100	100	100
Retail Group Balkans doo Banjalika	Balkan Peninsula	100	100	100
Models Own Holding Limited	United Kingdom	100	100	100
Models Own Limited	United Kingdom	100	100	100
Models Own International Ltd.	United Kingdom	100	100	100
Retail Group Egypt	Arab Republic of Egypt	98	98	98
RIGE Co.	Arab Republic of Egypt	98	98	98
Retail Group Jordan	Hashemite Kingdom of Jordan	95	95	95
Multi Trends Co.	Morocco	89	89	89
Retail Group Azerbaijan	Azerbaijan	85	85	85
Fashion Retail Azerbaijan	Azerbaijan	85	85	85
Spanish Retail Azerbaijan	Azerbaijan	85	85	85
Global Apparel Azerbaijan	Azerbaijan	85	85	85
Mega Store Azerbaijan	Azerbaijan	85	85	85
Master Retail Azerbaijan	Azerbaijan	85	85	85
Pro Retail Azerbaijan	Azerbaijan	85	85	85
Retail Group Holding	Azerbaijan	85	85	85
Best Retail Azerbaijan	Azerbaijan	85	85	85
Al Farida Trading Agencies Company	Kingdom of Saudi Arabia	70	70	70
Global Leiva S.L.U	Spain	--	100	100
Nesk Trading	Hashemite Kingdom of Jordan	100	100	100
Unique Technology Company*	Kingdom of Saudi Arabia	100	--	--

** The commercial operation of the subsidiary were started during the period.

FAWAZ ABDULAZIZ AL HOKAIR & COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2017
(All amounts in Saudi Riyals unless otherwise stated)

2. GROUP STRUCTURE (CONTINUED)

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

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

3. BASIS OF PREPARATION

3.1 Statement of compliance

These condensed consolidated interim financial statements ("financial statements") have been prepared in accordance with IAS 34 'Interim Financial Reporting' as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA"). These financial statements form part of the period covered by the first IFRS annual Financial Statements and IFRS 1 'First-time Adoption of International Financial Reporting Standards', as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, has been applied. (The accounting policies followed in these financial statements are the same as those applied in the Group's condensed consolidated interim financial statements for the period ended 30 June 2017. The Group has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.) These financial statements do not include all of information required for full set of annual financial statements prepared under IFRS.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group for the comparative periods presented is provided in note 7. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under previously issued accounting standards by SOCPA in Kingdom of Saudi Arabia to the amounts reported for those periods and at the date of transition to IFRS (i.e. 01 April 2016).

3.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for the measurement of fair values of certain financial assets and liabilities (including derivatives and available-for-sale investments).

3.3 Functional and presentation currency

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

4. USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS

In preparing these consolidated financial statements, we make estimates and judgments that affect the amounts recorded. Actual results could differ from our estimates. Our estimates and judgments are based on historical experience and other factors we consider reasonable, including expectations of future events. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the period ending 30 September 2017 is included in the following notes:

- Note 10, 11 and 12: Impairment test - key assumptions underlying recoverable amounts, for trade receivables, property and equipment, intangible assets and goodwill.
- Note 10 and 12: Estimated useful lives and residual values of property and equipment and intangible assets.
- Note 17: Measurement of employee benefits obligations: key actuarial assumptions.

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4. USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS (CONTINUED)

4.1 Zakat

In calculating the zakat expense for the current period, the Group has adjusted its profit and applied certain deduction to its zakat base used to calculate the zakat expense. However, the zakat legislations of the General Authority of Zakat and Tax ("GAZT") in relation to those adjustments and deductions are not clear. The Group's management made its best estimates for those assumptions based on industry practice and historical experience.

5. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Following are the new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted them in preparing these financial statements.

Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

Group's financing activities, as disclosed in Condensed Consolidated Statement of Cash Flows, represents only cash flow changes, except for finance cost paid for which non cash change is reflected in cash flow from operating activities.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

Group does not hold any debt instruments measured at fair value; therefore, there is no impact of this amendment on Condensed Consolidated Interim Financial Statements.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. There is not going to be a significant impact on Group's revenue recognition policy.

IFRS 9: Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

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5. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Impairment – Financial Assets and Contract Assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs are those that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset’s credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

Classification – Financial Liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI
- the remaining amount of change in the fair value is presented in profit or loss.

Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses.

Management is currently assessing the effect of this standard on the consolidated financial statements of the Company.

IFRS 16: Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

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5. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

IFRS 16: Leases (continued)

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose whether to:

- Apply the IFRS 16 definition of a lease to all its contracts; or
- Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

Transition

As a lessee, the Group can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Group currently plans to apply IFRS 16 initially on 1 January 2019. The Group has not yet determined which transition approach to apply. As a lessor, the Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

Annual Improvements to IFRSs 2014–2016 Cycle

- IFRS 1 First-time Adoption of IFRS- Outdated exemptions for first-time adopters of IFRS are removed. Effective for annual periods beginning on or after 1 January 2018.
- IAS 28 Investments in Associates and Joint Ventures - A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.

A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. Effective retrospectively for annual periods beginning on or after 1 January 2018; early application is permitted.

Other amendments

The following new or amended standards are not yet effective and neither expected to have a significant impact on the Group's consolidated financial statements.

- a) Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- b) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- c) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4) Amendments respond to industry concerns about the impact of differing effective dates.
- d) Transfers of Investment Property (Amendments to IAS 40) – A property asset is transferred when, and only when, there is evidence of an actual change in its use.
- e) IFRIC 22 Foreign Currency Transactions and Advance Consideration - clarifies the transaction date used to determine the exchange rate.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Group in the preparation of these condensed consolidated interim financial statements are set out below.

6.1 Basis of consolidation

(i) Subsidiaries

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

(ii) Subsidiaries

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

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

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

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

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

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

Acquisition-related costs are expensed as incurred.

(iii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see section (iii) below) after initially being recognized at cost.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.1 Basis of consolidation (continued)

(iv) Equity accounting

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

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

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

The carrying amount of equity-accounted investments is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized under profit and loss in the consolidated statement of comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount.

6.2 Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each respective entity operates (the "functional currency"). The consolidated financial statements are presented in Saudi Riyals ("SR") which is functional currency of Parent Company.

(ii) Transactions and balances

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 reporting 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 consolidated statement of income.

(iii) Group entities

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of the consolidated financial statements are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- income and expenses for each statement of income and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized in other comprehensive income.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.3 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding any levies or duty. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenues represent the invoiced value of goods delivered by the Group during the period, net of any trade and quantity discounts.

6.4 Selling, Distribution, General and Administration Expenses

Selling, Distribution, General and Administration Expenses include direct and indirect costs not specifically part of Cost of Sales. Allocations between Cost of Sales and Selling, Distribution, General and Administration Expenses, when required, are made on a consistent basis. The Group charges the payments, other than those related to volume based rebates, made in respect of long term agreements with customers and distributors to Selling and Distribution Expenses.

6.5 Property and equipment

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

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

	Number of years		Number of years
Buildings	33 years	Leasehold improvements	8-15 years
Furniture and office equipment	10 years	Motor vehicles	4 years

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

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

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

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 6.7).

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.6 Investment properties

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

Investment properties are measured at cost, including related transaction costs. After initial recognition at cost, investment properties are depreciated in line with owner-occupied buildings discussed in section 5.4 above.

6.7 Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

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 related fair values 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 consolidated statement of income.

(i) 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:

	Number of years		Number of years
Software implementation costs	25 years	Deferred charges	8 years
Key money	10 years		

Intangible assets acquired separately are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.7 Intangible assets (continued)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed on an annual basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually either individually or at the aggregated cash generating unit level.

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

6.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

6.9 Inventories

Inventories, including goods available for sale and goods in transit are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to complete a sale.

6.10 Cash and cash equivalents

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

6.11 Trade receivables

Trade receivables are recognized initially at fair value and subsequently at amortized cost using the effective interest rate method, less provision for impairment. Provision for impairment is made based on the Group's management best estimate of expected credit losses relating to those receivables. Such estimate is based on the customers' financial status and historical write-off experience. Account receivable balances are written off against such provision after all means of collection have been exhausted and potential of recovery is remote. Bad debts written off as such are recorded in the consolidated statement of income as incurred.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.12 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following categories:

- financial assets at fair value through recognition in statement of income,
- loans and receivables, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income (if any) are reclassified to the consolidated statement of income as gains and losses from investment securities.

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of income.

Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognized as follows:

- for 'financial assets at fair value through profit or loss - in consolidated statement of income within other income or other expenses;
- for other monetary and non-monetary securities classified as available-for-sale - in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments, are recognized in the consolidated statement of income as part of other income.

Interest income from financial assets at fair value through profit or loss included in the net gains/(losses). Interest on available-for-sale securities and loans and receivables calculated using the effective interest method is recognized in the consolidated statement of income as part of other income.

Details on how the fair value of financial instruments is determined are disclosed in note 6.13.

(iv) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired, and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.12 Investments and other financial assets (continued)

(iv) Impairment (continued)

Assets carried at amortized cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in consolidated statement of income.

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in consolidated statement of income – is removed from equity and recognized in consolidated statement of income.

Impairment losses on equity instruments that were recognized in consolidated statement of income are not reversed through consolidated statement of income in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized in consolidated statement of income, the impairment loss is reversed through consolidated statement of income.

(v) Income recognition

Interest income

Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

Dividends

Dividends are recognized as other income when the right to receive payment is established.

6.13 Financial liabilities

(i) Classification

Financial liabilities are classified under either of the two following classes:

- Financial liabilities at fair value through profit or loss.
- Other financial liabilities measured at amortized cost using the effective interest rate method

(ii) Measurement

All financial liabilities are initially recognized at fair values net of transaction costs, when the Group becomes party to a contractual provisions and obligations under the financial instrument.

Financial liabilities at fair value through profit or loss will continue to be recorded at fair value with changes being recorded in the consolidated statement of income.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.13 Financial liabilities

(ii) Measurement (continued)

For other financial liabilities, including short and long term borrowings, after initial recognition, these are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in consolidated statement of income when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortization is included as finance costs in the consolidated statement of income.

(iii) De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

6.14 Fair value measurement

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

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

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

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

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

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

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

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

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

6.16 Provisions

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

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

6.17 Employee benefits and post-employment benefits

(i) Short-term obligations

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

(ii) Post-employment obligation

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

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

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

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

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

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.18 Sukuk

The Group classifies Sukuk issued as financial liabilities or equity, in accordance with the substance of the contractual terms of the Sukuk. Sukuk having fixed maturity dates and fixed dates for payment of profit distribution are classified as a liability.

Sukuk having no fixed maturity date (Perpetual Sukuk) and no fixed date for payment of profit distribution are classified as equity. Distributions thereon are recognised in equity.

6.19 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in Condensed Consolidated Statement of Other Comprehensive Income and released to Condensed Consolidated Statement of Profit or Loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in Condensed Consolidated Statement of Profit or Loss in the period in which they are incurred.

6.20 Zakat and income tax

(i) Zakat

Zakat is provided in accordance with the Regulations of the DZIT in the Kingdom of Saudi Arabia on an accrual basis. The zakat expense is charged to the consolidated statement of income. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.

(ii) Income tax

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

6.21 Dividends

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

6.22 Earnings per share

Basic earnings per share is calculated by dividing net income attributable to the owners of the Company by the weighted average number of ordinary shares outstanding during the financial year as all the Company's shares are ordinary shares. Diluted earnings per share is calculated by adjusting the basic earnings per share for the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.23 Statutory reserve

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

6.24 Leases

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

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

6.25 Segment reporting

An operating segment is a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- For which discrete financial information is available.

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

6.26 Assets held for sale and discontinued operations

A discontinued operation is a component of the Group's business, the operations and cashflows of which can be clearly distinguished from rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as discontinued operation, the comparative statement of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative period.

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7. EFFECT OF IFRS STANDARDS ADOPTIONS

For all periods up to and including the year ended 31 March 2017, the Group was required to prepare its consolidated financial statements in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA).

For the period ended 30 September 2017, the Group is be required to prepare the consolidated financial statements in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by SOCPA in the Kingdom of Saudi Arabia.

The notes below explain the principal adjustments made by the Group in restating its SOCPA consolidated statement of financial position as of the transition date (1 April 2016), comparative consolidated statement of financial position and consolidated statement of total comprehensive income as at and for the year ended 31 March 2017 and comparative consolidated statement of financial position and consolidated statement of total comprehensive income for the three-month and six-month periods ended 30 September 2016.

7.1 Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Group has applied the following exemptions:

- 7.1.1 IFRS 3 "Business combinations" has not been applied retrospectively to past business combinations.
- 7.1.2 Borrowing costs: the borrowing cost component that was capitalized under previous GAAP and that was included in the carrying amount of assets at that date of transition was not restated.

7.2 Reconciliation of consolidated statement of financial position and equity as at 1 April 2016 (date of transition to IFRS)

	<u>Note reference</u>	<u>As previously reported (SOCPA)</u>	<u>Effect on transition to IFRS</u>	<u>As adjusted (IFRS)</u>
Assets				
Non-current assets				
Property and equipment	7.8.2, 7.8.4	2,328,007,521	57,410,209	2,385,417,730
Investment properties		74,252,274	--	74,252,274
Intangible assets	7.8.3	166,086,705	(34,420,691)	131,666,014
Goodwill		804,560,265	--	804,560,265
Investments in associates and others		241,036,321	--	241,036,321
Total non-current assets		3,613,943,086	22,989,518	3,636,932,604
Current assets				
Inventories		2,245,709,544	--	2,245,709,544
Trade and other receivables	7.8.3	910,730,749	(81,817,961)	828,912,788
Amounts due from related parties	7.8.4	404,196,471	(79,068,360)	325,128,111
Cash and cash equivalents		296,858,268	--	296,858,268
Total current assets		3,857,495,032	(160,886,321)	3,696,608,711
Total assets		7,471,438,118	(137,896,803)	7,333,541,315

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7. EFFECT OF IFRS STANDARDS ADOPTIONS (CONTINUED)

7.2 Reconciliation of consolidated statement of financial position and equity as at 1 April 2016 (date of transition to IFRS) (continued)

	Note reference	As previously reported (SOCPA)	Effect on transition to IFRS	As adjusted (IFRS)
Liabilities				
Non-current liabilities				
Non-current portion long term borrowings		2,102,087,024	--	2,102,087,024
Post-employment benefits	7.8.1	88,936,168	31,628,832	120,565,000
Total non-current liabilities		<u>2,191,023,192</u>	<u>31,628,832</u>	<u>2,222,652,024</u>
Current liabilities				
Trade and other payables		591,169,451	--	591,169,451
Accruals and other liabilities		554,395,194	--	554,395,194
Amounts due to related parties		3,802,011	--	3,802,011
Short-term Murabaha financing and loans		1,093,542,171	--	1,093,542,171
Current portion of long term borrowings		431,937,994	--	431,937,994
Total current liabilities		<u>2,674,846,821</u>	<u>--</u>	<u>2,674,846,821</u>
Total liabilities		<u>4,865,870,013</u>	<u>31,628,832</u>	<u>4,897,498,845</u>
Equity				
Share capital		2,100,000,000	--	2,100,000,000
Statutory reserve		141,875,641	--	141,875,641
Foreign currency translation reserve		(425,675,840)	--	(425,675,840)
Retained earnings	7.8.1, 7.8.2, 7.8.3	791,944,543	(169,525,635)	622,418,908
Total share holders' equity		<u>2,608,144,344</u>	<u>(169,525,635)</u>	<u>2,438,618,709</u>
Non-controlling interest		(2,576,239)	--	(2,576,239)
Total equity		<u>2,605,568,105</u>	<u>(169,525,635)</u>	<u>2,436,042,470</u>
Total liabilities and equity		<u>7,471,438,118</u>	<u>(137,896,803)</u>	<u>7,333,541,315</u>

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7. EFFECT OF IFRS STANDARDS ADOPTIONS (CONTINUED)

7.3 Reconciliation of consolidated statement of financial position and equity as at 30 September 2016

	Note reference	As previously reported (SOCPA)	Effect on transition to IFRS	As adjusted (IFRS)
Assets				
Non-current assets				
Property and equipment	7.8.2, 7.8.4	2,160,683,458	86,250,450	2,246,933,908
Investment properties		71,752,274	--	71,752,274
Intangible assets	7.8.3	138,821,206	(34,420,691)	104,400,515
Goodwill		804,560,265	--	804,560,265
Investments in associates and others		245,639,550	--	245,639,550
Receivable from disposal of a subsidiary		280,000,000	--	280,000,000
Total non-current assets		3,701,456,753	51,829,759	3,753,286,512
Current assets				
Inventories		2,146,634,517	--	2,146,634,517
Trade and other receivables	7.8.3	926,287,777	(81,817,961)	844,469,816
Amounts due from related parties	7.8.4	413,549,216	(85,534,022)	328,015,194
Cash and cash equivalents		370,394,604	--	370,394,604
Total current assets		3,856,866,114	(167,351,983)	3,689,514,131
Total assets		7,558,322,867	(115,522,224)	7,442,800,643
Liabilities				
Non-current liabilities				
Non-current portion long term borrowings		1,853,933,404	--	1,853,933,404
Post-employment benefits	7.8.1	92,869,106	35,323,977	128,193,083
Total non-current liabilities		1,946,802,510	35,323,977	1,982,126,487
Current liabilities				
Trade and other payables		564,947,773	--	564,947,773
Accruals and other liabilities		595,686,800	--	595,686,800
Amounts due to related parties		191,870	--	191,870
Short-term Murabaha financing and loans		1,113,373,348	--	1,113,373,348
Current portion of long term borrowings		465,208,139	--	465,208,139
Total current liabilities		2,739,407,930	--	2,739,407,930
Total liabilities		4,686,210,440	35,323,977	4,721,534,417
Equity				
Share capital		2,100,000,000	--	2,100,000,000
Statutory reserve		141,875,641	--	141,875,641
Foreign currency translation reserve		(427,032,635)	--	(427,032,635)
Retained earnings	7.8.1, 7.8.2, 7.8.3	1,063,276,143	(150,846,201)	912,429,942
Total share holders' equity		2,878,119,149	(150,846,201)	2,727,272,948
Non-controlling interest		(6,006,722)	--	(6,006,722)
Total equity		2,872,112,427	(150,846,201)	2,721,266,226
Total liabilities and equity		7,558,322,867	(115,522,224)	7,442,800,643

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7. EFFECT OF IFRS STANDARDS ADOPTIONS (CONTINUED)

7.4 Reconciliation of consolidated statement of financial position and equity as at 31 March 2017

	Note reference	As previously reported (SOCPA)	Effect on transition to IFRS	As adjusted (IFRS)
Assets				
Non-current assets				
Property and equipment	7.8.2, 7.8.4	1,960,513,707	146,370,787	2,106,884,494
Investment properties		69,252,274	--	69,252,274
Intangible assets	7.8.3	141,517,706	(34,420,691)	107,097,015
Goodwill		804,560,265	--	804,560,265
Investments in associates and others		183,987,163	--	183,987,163
Receivable from disposal of a subsidiary		280,000,000	--	280,000,000
Total non-current assets		3,439,831,115	111,950,096	3,551,781,211
Current assets				
Inventories		2,083,766,718	--	2,083,766,718
Trade and other receivables	7.8.3	1,065,878,478	(81,817,961)	984,060,517
Amounts due from related parties	7.8.4	479,905,241	(123,279,780)	356,625,461
Cash and cash equivalents		364,830,529	--	364,830,529
Total current assets		3,994,380,966	(205,097,741)	3,789,283,225
Total assets		7,434,212,081	(93,147,645)	7,341,064,436
Liabilities				
Non-current liabilities				
Non-current portion long term borrowings		1,229,652,106	-	1,229,652,106
Post-employment benefits	7.8.1	94,567,133	21,765,957	116,333,090
Total non-current liabilities		1,324,219,239	21,765,957	1,345,985,196
Current liabilities				
Trade and other payables		600,941,729	--	600,941,729
Accruals and other liabilities		554,921,665	--	554,921,665
Short-term Murabaha financing and loans		1,584,918,565	--	1,584,918,565
Current portion of long term borrowings		493,132,196	--	493,132,196
Total current liabilities		3,233,914,155	--	3,233,914,155
Total liabilities		4,558,133,394	21,765,957	4,579,899,351
Equity				
Share capital		2,100,000,000	--	2,100,000,000
Statutory reserve		180,992,561	--	180,992,561
Foreign currency translation reserve		(532,891,748)	--	(532,891,748)
Retained earnings	7.8.1, 7.8.2, 7.8.3	1,143,996,820	(114,913,602)	1,029,083,218
Total share holders' equity		2,892,097,633	(114,913,602)	2,777,184,031
Non-controlling interest		(16,018,946)	--	(16,018,946)
Total equity		2,876,078,687	(114,913,602)	2,761,165,085
Total liabilities and equity		7,434,212,081	(93,147,645)	7,341,064,436

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7. EFFECT OF IFRS STANDARDS ADOPTIONS (CONTINUED)

7.5 Reconciliation of statement of profit or loss and comprehensive income for the six month period ended 30 September 2016

	Note reference	As previously reported (SOCPA)	Effect on transition to IFRS	As adjusted (IFRS)
Revenue		3,855,189,831	--	3,855,189,831
Cost of sales	7.8.1	(2,968,560,385)	(2,217,087)	(2,970,777,472)
Gross profit		886,629,446	(2,217,087)	884,412,359
Operating costs				
Selling and distribution expenses		(110,377,757)	--	(110,377,757)
General and administrative expenses	7.8.1	(184,957,216)	(1,478,058)	(186,435,274)
Depreciation, amortization and impairment	7.8.2	(181,397,139)	22,374,579	(159,022,560)
Operating profit		409,897,334	18,679,434	428,576,768
Finance costs		(86,590,896)	--	(86,590,896)
Other income		19,200,967	--	19,200,967
Profit before loss from discontinued operations, zakat and income tax		342,507,405	18,679,434	361,186,839
Loss from discontinued operations, net of tax		(46,447,251)	--	(46,447,251)
Profit before zakat and income tax		296,060,154	18,679,434	314,739,588
Zakat and income tax expense		(26,324,193)	--	(26,324,193)
Profit for the period		269,735,961	18,679,434	288,415,395
Other comprehensive income				
<i>Items that may be reclassified to net income</i>				
Exchange differences on translation of foreign operations		(43,806,270)	--	(43,806,270)
Other comprehensive income for the period, net of zakat and income tax		(43,806,270)	--	(43,806,270)
Total comprehensive income for the period		225,929,691	18,679,434	244,609,125

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7. EFFECT OF IFRS STANDARDS ADOPTIONS (CONTINUED)

7.6 Reconciliation of statement of profit or loss and comprehensive income for the three month period ended 30 September 2016

	Notes reference	As previously reported (SOCPA)	Effect on transition to IFRS	As adjusted (IFRS)
Revenue		1,665,258,705	--	1,665,258,705
Cost of sales	7.8.1	(1,347,799,401)	(1,845,739)	(1,349,645,140)
Gross profit		317,459,304	(1,845,739)	315,613,565
Operating costs				
Selling and distribution expenses		(45,168,707)	--	(45,168,707)
General and administrative expenses	7.8.1	(87,513,933)	(1,230,493)	(88,744,426)
Depreciation, amortization and impairment	7.8.2	(83,029,209)	11,187,290	(71,841,920)
Operating profit		101,747,455	8,111,058	109,858,513
Share of net income of associates and joint ventures				
Finance costs		(41,112,436)	--	(41,112,436)
Other income		10,495,787	--	10,495,787
Profit before results from discontinued operations, zakat and income tax		71,130,806	8,111,058	79,241,863
Loss from discontinued operations, net of tax		--	--	--
Profit before zakat and income tax		71,130,806	8,111,058	79,241,863
Zakat and income tax expense		(12,780,277)	--	(12,780,277)
Profit for the period		58,350,529	8,111,058	66,461,586
Other comprehensive income				
Exchange differences on translation of foreign operations		(33,470,561)	--	(33,470,561)
Other comprehensive income for the period, net of zakat and income tax		(33,470,561)	--	(33,470,561)
Total comprehensive income for the period		24,879,968	8,111,058	32,991,025

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7 EFFECT OF IFRS STANDARDS ADOPTIONS (CONTINUED)

7.7 Reconciliation of statement of profit or loss and comprehensive income for the year ended 31 March 2017

	Notes reference	As previously reported (SOCPA)	Effect on transition to IFRS	As adjusted (IFRS)
Revenue		6,705,669,025	--	6,705,669,025
Cost of sales	7.8.1	(5,177,146,749)	(6,333,675)	(5,183,480,424)
Gross profit		1,528,522,276	(6,333,675)	1,522,188,601
Operating costs				
Selling and distribution expenses		(254,299,519)	--	(254,299,519)
General and administrative expenses	7.8.1	(343,162,579)	(4,222,450)	(347,385,029)
Depreciation, amortization and impairment	7.8.2	(355,748,530)	44,749,158	(310,999,372)
Operating profit		575,311,648	34,193,033	609,504,681
Share of net income of associates and joint ventures		(8,956,873)	--	(8,956,873)
Finance costs		(167,088,667)	--	(167,088,667)
Other income		63,599,048	--	63,599,048
Profit before results from discontinued operations, zakat and income tax		462,865,156	34,193,033	497,058,189
Loss from discontinued operations, net of tax		(46,447,251)	--	(46,447,251)
Profit before zakat and income tax		416,417,905	34,193,033	450,610,938
Zakat and income tax expense		(30,744,684)	--	(30,744,684)
Profit for the period		385,673,221	34,193,033	419,866,254
Other comprehensive income				
Exchange differences on translation of foreign operations		(155,777,270)	--	(155,777,270)
Actuarial gain on end of service benefit	7.8.1	--	20,419,000	20,419,000
Other comprehensive income for the period, net of zakat and income tax		(155,777,270)	20,419,000	(135,358,270)
Total comprehensive income for the period		229,895,951	54,612,033	284,507,984

7.8 Explanation of significant adjustments

7.8.1 Employees' end of service benefit

Under IFRS as endorsed in KSA, end of service benefits, post-employment benefits, are required to be calculated using actuarial valuations based on project unit cost method. Under SOCPA end of service benefits liability is calculated, based on the local regulation in KSA, such that the current value of the vested benefits to which the employee is entitled, should the services be terminated as at the balance sheet date. The impact on the financial statements was as follows:

Consolidated statement of financial position

<u>Financial statements line items</u>	<u>31 March 2017</u>	<u>30 September 2016</u>	<u>1 April 2016</u>
Retained earnings	21,765,957	35,323,977	31,628,832
EOSB Liability	(21,765,957)	(35,323,977)	(31,628,832)

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7. EFFECT OF IFRS STANDARDS ADOPTIONS (CONTINUED)

7.8.1.1 Employees' end of service benefit (continued)

Consolidated statement of profit or loss

<u>Financial statements line items</u>	<u>Year ended</u>	<u>6 months ended</u>	<u>3 months ended</u>
	<u>31 March 2017</u>	<u>30 September 2016</u>	<u>30 September 2016</u>
Cost of Sales	6,333,675	2,217,087	1,845,739
General and admin expenses	4,222,450	1,478,058	1,230,493
Other comprehensive income	(20,419,000)	--	--

7.8.2 Property and equipment

a. Component Accounting

Under IFRS as endorsed in KSA, property and equipment should be depreciated over the useful lives for each significant component identified separately. Previously, the Group did not separately identify significant components in leasehold improvement. As a result, useful lives of certain components of leasehold improvement has been reassessed and revised.

b. Impairment of leasehold improvement

Under IFRS as endorsed in KSA, the carrying amount of assets is compared with the higher of the recoverable amount. The recoverable amount of an asset is higher of fair value less cost of sales and value in use. The impairment is identified if the value in use determined by discounting future cash flows is lower than the carrying amount. Under SOCPA accounting standards, impairment does not necessarily trigger if gross cash flows exceed the carrying amount without discounting the same. On applying IFRS, the Company identified the carrying amount of property and equipment as impaired and recorded the impairment in its books. The impact on the financial statements was as follows:

Consolidated statement of financial position

<u>Financial statements line items</u>	<u>31 March 2017</u>	<u>30 September 2016</u>	<u>1 April 2016</u>
Property and equipment	23,091,007	716,428	(21,658,151)
Retained earnings	(23,091,007)	(716,428)	21,658,151

Consolidated statement of profit or loss

<u>Financial statements line items</u>	<u>Year ended</u>	<u>6 months ended</u>	<u>3 months ended</u>
	<u>31 March 2017</u>	<u>30 September 2016</u>	<u>30 September 2016</u>
Depreciation expense	(44,749,158)	(22,374,579)	(11,187,289)

7.8.2.1 Pre-operating and other expenses

With the adoption of IFRS, the management identified certain pre-incorporating expenses and other expenses that do not qualify for capitalization and hence were provided for/written off.

The impact on the financial statements was as follows:

<u>Financial statements line items</u>	<u>31 March 2017</u>	<u>30 September 2016</u>	<u>1 April 2016</u>
Other intangible assets	(34,420,691)	(34,420,691)	(34,420,691)
Trade and other receivables	(81,817,961)	(81,817,961)	(81,817,961)
Retained earnings	116,238,652	116,238,652	116,238,652

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7. FIRST TIME ADOPTION OF IFRS (CONTINUED)

7.8.3 Advances against capital expenditure

Under previous SOCPA standards, advances to related parties for capital expenditure were presented under amounts due from related parties on the face of statement of financial position. Under IFRS, these amounts are presented as part of capital work in progress under property and equipment so as to enhance presentation for IFRS purpose.

The impact of the re-classification on the financial statements was as follows:

<u>Financial statements line items</u>	<u>31 March 2017</u>	<u>30 September 2016</u>	<u>1 April 2016</u>
Amounts due from related parties	(123,279,780)	(85,534,022)	(79,068,360)
Property and equipment	123,279,780	85,534,022	79,068,360

7.9 Effects of IFRS standards adoptions – effect on consolidated statement of cash flow

The transition has not had a material impact on the consolidated statement of cash flows.

7.10 Exemptions applied

- a. IFRS 1 “First-Time Adoption of International Financial Reporting Standards” as endorsed by SOCPA allows first-time adopter certain exemptions from the retrospective application of certain IFRS Standards.

The Group has applied the following exemptions:

IFRS 3 “Business Combinations” as endorsed by SOCPA has not been applied to acquisitions of subsidiaries, which are considered businesses for IFRS Standards, or of interests in associates and joint ventures that occurred before 1 January 2016. Use of this exemption means that the carrying amounts of assets and liabilities under SOCPA Standards, which are required to be recognised under IFRS Standards, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS Standards. Assets and liabilities that do not qualify for recognition under IFRS Standards are excluded from the opening IFRS Standards Statement of Financial Position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS Standards recognition requirements. IFRS 1 as endorsed by SOCPA also requires that the carrying amount of goodwill under SOCPA Standards must be used in the opening IFRS Standards Statement of Financial Position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1 as endorsed by SOCPA, the Group has tested goodwill for impairment at the date of transition to IFRS Standards. No goodwill impairment was deemed necessary at 1 January 2016.

- b. The Group has not applied IAS 21 “The Effects of Changes in Foreign Exchange Rates” as endorsed by SOCPA retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS Standards. Such fair value adjustments and goodwill are treated as assets and liabilities of the Parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the Parent or are non-monetary foreign currency items and no further translation differences occur.

8. INTERIM RESULTS

The operations and revenues of the Group are affected by seasonal changes during the year. Therefore, the results of operations for the three month and six month periods ended 30 September 2017, may not provide an accurate indication of the actual results for the full year.

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9. EARNINGS PER SHARE

Basic / diluted earnings per share

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

	3 months ended <u>30 September</u> <u>2017</u>	3 months ended <u>30 September</u> <u>2016</u>	6 months ended <u>30 September</u> <u>2017</u>	6 months ended <u>30 September</u> <u>2016</u>
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share (Note 21)	210,000,000	210,000,000	210,000,000	210,000,000
Profit attributable to ordinary shareholders	6,840,428	66,818,433	239,247,876	290,011,034
Basic and diluted earnings per ordinary share	0.03	0.32	1.14	1.38

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10. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and leasehold improvements (Adjusted – Note 7)	Furniture and office equipment	Motor vehicles	Capital work in progress (Adjusted – Note 7)	Total
Cost:						
At 1 April 2016	68,991,69	3,084,228,296	617,670,330	14,936,412	228,800,101	4,014,626,829
Additions	--	118,387,509	41,915,776	340,500	48,776,867	209,420,652
Disposals	--	(13,435,877)	(3,082,014)	(340,750)	--	(16,858,641)
Transfers	--	(89,627,545)	--	--	(115,355,988)	(204,983,533)
At 31 March 2017	68,991,690	3,099,552,383	656,504,092	14,936,162	162,220,980	4,002,205,307
Additions	--	117,238,683	15,669,622	234,000	141,153,296	274,295,601
Disposals	--	(7,727,697)	(2,160,822)	(350,000)	--	(10,238,519)
Provision	--	(11,050,584)	--	--	--	(11,050,584)
Transfers	--	12,721,685	--	--	(26,927,346)	(14,205,661)
At 30 September 2017	68,991,690	3,210,734,470	670,012,892	14,820,162	276,446,930	4,241,006,144
Accumulated depreciation:						
At 1 April 2016	--	1,355,636,835	259,881,264	13,691,000	--	1,629,209,099
Charge for the period	--	224,232,846	65,072,203	970,079	--	290,275,128
Disposals	--	--	(2,277,361)	(310,198)	--	(2,587,559)
Transfers	--	(21,575,855)	--	--	--	(21,575,855)
At 31 March 2017	--	1,558,293,826	322,676,106	14,350,881	--	1,895,320,813
Charge for the period	--	111,604,007	30,226,123	389,958	--	142,220,088
Disposals	--	(4,442,836)	(792,489)	(167,708)	--	(5,403,033)
Transfers	--	--	--	--	--	--
At 30 September 2017	--	1,665,454,997	352,109,740	14,573,131	--	2,032,137,868
Net book value:						
At 30 September 2017 (Unaudited)	68,991,690	1,545,279,473	317,903,152	247,031	276,446,930	2,208,868,276
At 31 March 2017 (Audited)	68,991,690	1,541,258,557	333,827,986	585,281	162,220,980	2,106,884,494
At 1 April 2016 (Audited)	68,991,690	1,728,591,461	357,789,066	1,245,412	228,800,101	2,371,416,660

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11. INVESTMENT PROPERTIES

	30 September 2017	31 March 2017	1 April 2016
Cost:			
Opening / closing balance	<u>104,252,274</u>	<u>104,252,274</u>	104,252,274
Accumulated depreciation:			
Opening balance	35,000,000	30,000,000	25,000,000
Charge for the period/year	<u>2,500,000</u>	<u>5,000,000</u>	5,000,000
Closing balance	<u>37,500,000</u>	<u>35,000,000</u>	30,000,000
Net book value	<u>66,752,274</u>	<u>69,252,274</u>	74,252,274

11.1 Amounts recognized in the profit and loss for investment properties

	3 months ended 30 September 2017	3 months ended 30 September 2016	6 months ended 30 September 2017	6 months ended 30 September 2016
Rental income	<u>5,000,000</u>	--	<u>5,000,000</u>	2,000,000

12. INTANGIBLE ASSETS AND GOODWILL

	30 September 2017	31 March 2017	1 April 2016
Other intangible assets (Refer note 12.1)	103,652,491	107,097,015	131,666,014
Goodwill (Refer note 12.2)	<u>804,560,265</u>	<u>804,560,265</u>	804,560,265
	<u>908,212,756</u>	<u>911,657,280</u>	936,226,279

12.1 Other intangible assets

	Software implementation	Key money	Deferred charges	Trademarks	Total
Cost					
1 April 2016	35,221,948	149,083,082	55,115,271	25,070,436	264,490,737
Additions	--	9,328,936	2,841,777	--	12,170,713
Transfer	--	--	(16,118,652)	--	(16,118,652)
Write off	--	(8,142,730)	(3,164,199)	(1,803,781)	(13,110,710)
At 31 March 2017	<u>35,221,948</u>	<u>150,269,288</u>	<u>38,674,197</u>	<u>23,266,655</u>	<u>247,432,088</u>
Additions	--	3,361,187	-	-	3,361,187
Disposals	--	(1,287,565)	--	--	(1,287,565)
Transfers	--	--	--	--	-
30 September 2017	<u>35,221,948</u>	<u>152,342,910</u>	<u>38,674,197</u>	<u>23,266,655</u>	<u>249,505,710</u>
Accumulated amortization and impairment					
1 April 2016	9,941,472	89,592,164	33,291,087	--	132,824,723
Charge for the year	1,409,263	9,757,801	4,557,175	--	15,724,239
Transfer	--	--	(71,160)	--	(71,160)
Write off	--	(8,142,729)	--	--	(8,142,729)
At 31 March 2017	<u>11,350,735</u>	<u>91,207,236</u>	<u>37,777,102</u>	<u>--</u>	<u>140,335,073</u>
Charge for the period	704,632	5,020,937	664,846	-	6,390,415
Disposals	--	(872,269)	--	--	(872,269)
30 September 2017	<u>12,055,367</u>	<u>95,355,904</u>	<u>38,441,948</u>	<u>-</u>	<u>145,853,219</u>
Net book value					
30 September 2017	<u>23,166,581</u>	<u>56,987,006</u>	<u>232,249</u>	<u>23,266,655</u>	<u>103,652,491</u>
31 March 2017	23,871,213	59,062,052	897,095	23,266,655	107,097,015
1 April 2016	25,280,476	59,490,918	21,824,184	25,070,436	131,666,014

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12. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

12.2 Goodwill

	30 September 2017	31 March 2017	1 April 2016
Nesk Projects Trading Co	417,796,779	417,796,779	417,796,779
Business acquisition – Mango brand	319,508,613	319,508,613	319,508,613
Wahba Trading Company Ltd	61,437,764	61,437,764	61,437,764
Models Own Holding Ltd.	5,817,109	5,817,109	5,817,109
	<u>804,560,265</u>	<u>804,560,265</u>	<u>804,560,265</u>

13. INVESTMENTS IN ASSOCIATES AND OTHERS

	<i>Ownership %</i>	<i>Country of incorporation</i>	30 September 2017	31 March 2017	1 April 2016
Associates:					
Amwal Al Khaleejia Al Oula	25.0	Kingdom of Saudi Arabia	32,390,207	32,390,207	38,412,239
International Shop Fittings Limited	51.0	United Arab Emirates	--	--	37,892,944
Investate Reality BSC	13.9	Kingdom of Bahrain Kingdom of Saudi	24,565,043	33,743,119	33,743,119
Burberry Saudi Co. Ltd.	25.0	Arabia	23,782,697	23,782,697	26,717,538
FG 4 Limited	50.0	United Arab Emirates	71,140	71,140	71,140
Advances against investment			--	--	10,199,341
Total			<u>80,809,087</u>	<u>89,987,163</u>	<u>147,036,321</u>
Others (AFS):					
Trade Center Co. Ltd.	9.3	Kingdom of Saudi Arabia	94,000,000	94,000,000	94,000,000
Total investments			<u>174,809,087</u>	<u>183,987,163</u>	<u>241,036,321</u>

Movement in equity accounted investees during the period ended 30 September 2017 is as follows:

	<i>Ownership %</i>	<i>Country of incorporation</i>	Balance as at 31 March 2017	Share in earnings / capital distribution	Balance as at 30 September 2017
Associates:					
Amwal Al Khaleejia Al Oula	25.0	Kingdom of Saudi Arabia	32,390,207		32,390,207
Investate Reality BSC	13.9	Kingdom of Bahrain Kingdom of Saudi	33,743,119	(9,178,076)	24,565,043
Burberry Saudi Co. Ltd.	25.0	Arabia	23,782,697		23,782,697
FG 4 Limited	50.0	United Arab Emirates	71,140		71,140
Total			<u>89,987,163</u>	<u>(9,178,076)</u>	<u>80,809,087</u>
Others (AFS):					
Trade Center Co. Ltd.	9.3	Kingdom of Saudi Arabia	94,000,000		94,000,000
Total investments			<u>183,987,163</u>	<u>--</u>	<u>174,809,087</u>

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13. INVESTMENTS IN ASSOCIATES AND OTHERS (CONTINUED)

Latest available summarized financial information of equity accounted investees are as follows:

<u>Investee name</u>	<u>Ownership %</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Net income/(loss)</u>
31 March 2017					
Burberry Saudi Company Ltd.	25.0	<u>119,590,955</u>	<u>20,296,956</u>	<u>87,845,274</u>	<u>(767,002)</u>

In relation to other equity accounted investees, latest financial information is not available.

14. INVENTORIES

	<u>30 September 2017</u>	<u>31 March 2017</u>	<u>1 April 2016</u>
Goods available for sale	<u>2,266,494,732</u>	2,258,037,129	2,232,417,896
Goods in transit	<u>67,284,599</u>	153,217,248	121,591,314
Supplies	<u>33,293,443</u>	<u>5,170,543</u>	<u>82,010,120</u>
	<u>2,367,072,774</u>	<u>2,416,424,920</u>	<u>2,436,019,330</u>
Provision for slow moving inventory	<u>(342,958,447)</u>	<u>(332,658,202)</u>	<u>(190,309,786)</u>
Net inventories	<u>2,024,114,327</u>	<u>2,083,766,718</u>	<u>2,245,709,544</u>

Movement in provision for slow moving inventory is as follows:

	<u>30 September 2017</u>	<u>31 March 2017</u>
Opening balance	<u>332,658,202</u>	160,023,962
Provision recorded during the period/year	<u>41,070,375</u>	253,839,451
Provision written off during the period/year	<u>(30,770,130)</u>	<u>(81,205,211)</u>
Closing balance	<u>342,958,447</u>	<u>332,658,202</u>

15. TRADE RECEIVABLES, PREPAYMENTS AND OTHER ASSETS

	<u>30 September 2017</u>	<u>31 March 2017</u>	<u>1 April 2016</u>
Prepaid rent	<u>456,976,087</u>	442,118,534	378,467,390
Advances to suppliers	<u>350,263,118</u>	185,944,942	114,113,848
Trade receivables	<u>100,306,667</u>	128,528,814	55,456,959
Current portion of receivable against disposal of subsidiary	<u>70,000,000</u>	70,000,000	--
Margin on letters of credit and guarantee	<u>33,259,987</u>	15,830,180	12,139,990
Employee receivables	<u>32,625,184</u>	31,475,757	28,035,013
Security deposits	<u>20,885,907</u>	21,311,468	43,802,957
Receivable from Human Resources Development Fund (HRDF)	<u>14,188,497</u>	13,750,607	11,263,400
Dividends receivable	<u>12,634,116</u>	7,634,116	5,000,000
Margin compensation receivable	<u>10,616,318</u>	10,009,873	17,614,517
Receivable against sale of brands	<u>1,758,202</u>	1,758,202	22,889,925
Receivable against credit cards sales	--	--	7,340,020
Advances for investments	--	--	5,863,958
Deferred tax asset	--	--	64,324,641
Receivable against sale of investments (Note:15.1)	--	58,044,148	58,044,148
Others	<u>1,188,182</u>	<u>7,498,403</u>	<u>4,556,022</u>
	<u>1,104,702,265</u>	<u>993,905,044</u>	<u>828,912,788</u>
Provision against doubtful receivables against sale of investment	--	<u>(9,844,527)</u>	--
	<u>1,104,702,265</u>	<u>984,060,517</u>	<u>828,912,788</u>

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15. TRADE RECEIVABLES, PREPAYMENTS AND OTHER ASSETS (CONTINUED)

- 15.1 During the period, the Company has transferred certain receivables amounting to SR58 million to the majority shareholder of the Company Fawaz Abdulaziz AlHokair Saudi Holding Company ("FAS Holding") under the non-recourse arrangement.

Information about the impairment of trade receivables, their credit ratings and the Group's exposure to credit risk is disclosed in note 21.

16. BORROWINGS

16.1 Long term borrowings

	<u>Note</u>	<u>30 September</u> <u>2017</u>	<u>31 March</u> <u>2017</u>	<u>1 April</u> <u>2016</u>
<i>Murabaha financing</i>				
Facility 1	16.1.1	666,666,666	750,000,000	916,666,667
Facility 2	16.1.1	400,781,250	489,843,750	667,968,750
Facility 3	16.1.1	253,023,750	281,137,500	281,137,500
Facility 4	16.1.1	156,250,000	187,500,000	--
Facility 5	16.1.1	--	35,174,250	105,486,750
Long term Murabaha facility	16.2.3	--	--	89,198,055
<i>Sukuk</i>	16.2.2	--	--	500,000,000
		<u>1,476,721,666</u>	<u>1,743,655,500</u>	<u>2,560,457,722</u>
Less: Upfront fees		<u>(17,506,566)</u>	<u>(20,871,198)</u>	<u>(26,432,704)</u>
		<u>1,459,215,100</u>	<u>1,722,784,302</u>	<u>2,534,025,018</u>
Presented in the balance sheet as follows:				
Non-current portion of long-term borrowings		1,001,159,893	1,229,652,106	2,102,087,024
Current portion of long-term borrowings		<u>458,055,207</u>	<u>493,132,196</u>	<u>431,937,994</u>
		<u>1,459,215,100</u>	<u>1,722,784,302</u>	<u>2,534,025,018</u>

16.1.1 Murabaha financing

Facility 1

On 4 June 2014, the Group 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. The facility is secured by promissory notes given by the Group. As at 30 September 2017, the Company has fully utilized this facility. The Murabaha facility carries markup at Saudi Interbank Offered Rate ('SIBOR') plus agreed margin per annum.

Facility 2

On 16 October 2014, the Group signed a long-term Master Murabaha Facility Agreement (the "Agreement") of SR 712.5 million (equivalent to USD 190 million) with a foreign bank. As per the Agreement, the term of the Murabaha facility is for a period of 5 years. 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 given by the Group. As at 30 September 2017, the Group has fully utilized this facility. The Murabaha facility carries markup at LIBOR plus agreed margin per annum.

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16. BORROWINGS (CONTINUED)

16.1 Long term borrowings (continued)

Facility 3

On 28 December 2015, the Group signed a long-term Master Murabaha Facility Agreement (the "Agreement") of SR 281.1 million (equivalent to AED 275.6 million) with a foreign bank. As per the Agreement, the term of the Murabaha facility is for a period of 6 years. 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 Group. As at 30 September 2017, the Group has fully utilized this facility. The Murabaha facility carries markup at Emirates Interbank Offered Rate (EIBOR) plus agreed margin per annum.

Facility 4

On 25 December 2016 the Group has signed a long term Master Murabaha Facility Agreement (the 'Agreement') with Natixis S.A. amounting to SR 187.5 million (equivalent to USD 50 million). As per the Agreement, the term of the Murabaha Facility is for a period of 3 years. The Murabaha facility is repayable in equal semi-annual installments commencing on 25 June 2017 and ending on 25 December 2019. The facility is secured by given promissory notes given by the Group. As at 30 September 2017, the Group has fully utilized this facility. The Murabaha facility carries markup at LIBOR plus agreed margin per annum.

Facility 5

The Group signed a long-term Murabaha financing agreement with International Finance Corporation ("IFC"), a member of World Bank Group, amounting to SR 187.5 million (USD 50 million) on 1 October 2011. During the year ended 31 March 2013, the Group agreed with IFC to increase the Murabaha facility amount by SR 93.75 million (USD 25 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 secured by promissory notes issued by the Group. The facility is repayable in equal semi-annual installments commencing after the two years from the date of the first disbursement. The Group has fully utilized this facility. The Murabaha facility carries markup at London Interbank Offered Rate ('LIBOR') plus agreed margin per annum.

Murabaha facility agreements contain covenants, which among other things, require certain financial ratios to be maintained. The Group ensures that it is always in compliance with the loan covenants prescribed in such agreements. In case of breach of covenant at any point of time, the management ensures that it reconciles its position with the lending banks and that it has obtained a formal waiver from the related lender. As at 30 September 2017, the Group is in compliance with its the respective financial covenants.

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16. BORROWINGS (CONTINUED)

16.2 Short term borrowings

	<u>Note</u>	<u>30 September</u> <u>2017</u>	<u>31 March</u> <u>2017</u>	<u>1 April</u> <u>2016</u>
Short-term Murabaha facilities	16.2.1	1,066,756,611	1,016,708,287	1,093,542,171
Sukuk	16.2.2	500,000,000	500,000,000	--
Long term murabaha facility	16.2.3	57,736,480	68,210,278	--
		<u>1,624,493,091</u>	<u>1,584,918,565</u>	<u>1,093,542,171</u>

16.2.1 Short-term Murabaha facilities

The Group has short-term Murabaha facilities with local and foreign commercial banks amounting to SR 1,350 million (31 March 2017: SR 1,350 million, 1 April 2016: SR 1,615 million). The facilities are secured by promissory notes by the Group and utilized for working capital management.

16.2.2 Sukuk

On 24 June 2014, the Group 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 a specified margin payable quarterly in arrears from the net income received under the Sukuk assets.

The Group was unable to meet a financial covenant as at 31 March 2017 under its long term financing facility with its Sukukholders. The Group had received a letter from the Sukukholders requesting the Group to increase the Sukuk margin along with a waiver fee as a condition to provide the waiver till September 2017. On 11 June 2017, Sukukholders have approved waiver of the breach of financial covenant on conditions mentioned above.

16.2.3 Long term murabaha facility

On 13 April 2015, the Group signed an amendment of a facility agreement (the "Agreement") that was originally signed on 24 December 2013 with a local bank to allow for an increase in the overall facility amount from SR 235 million to SR 335 million. The amended facility Agreement includes total amount of SR 100 million as medium-term loan. The medium-term loan is repayable in equal 18 quarterly installments commenced on October 2015 and ending on January 2020. The facility is secured by promissory notes by the Group. As at 30 September 2017, the Group has fully utilized the medium-term loan.

17. POST-EMPLOYMENT BENEFITS

The Group operates defined benefit plans in line with the labor law requirements in the countries the Group entities operates in. The payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment.

Employees' termination benefit plans are unfunded plans.

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17. POST-EMPLOYMENT BENEFITS (CONTINUED)

17.1 Amounts in the consolidated statement of financial position

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

	30 September 2017	31 March 2017
Opening balance	116,333,090	120,565,000
<i>Statement of profit or loss</i>		
Current service and interest cost	13,459,500	28,948,000
<i>Statement of comprehensive income</i>		
Actuarial (gain) / loss	-	(20,419,000)
Total amount recognized in other comprehensive income	129,792,590	129,094,000
Settlements during the year	(4,338,750)	(12,760,910)
Closing balance	125,453,840	116,333,090

17.2 Significant actuarial assumptions

The significant actuarial assumptions used were as follows:

	31 March 2017
<i>Economic assumptions</i>	
Gross discount rate	3.2%
Price inflation	2.0%
Salary growth rate	3.0%
<i>Demographics assumptions</i>	
Number of employees	6,850
Average age of employees (years)	31.4
Average years of past service	3.8

17.3 Sensitivity analysis

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

	Change in assumption	31 March 2017 (SR '000)
Salary inflation	1% Decrease	(102,787)
	Base	(116,663)
	1% Increase	(133,321)
Discount rate	1% Decrease	(131,134)
	Base	(116,663)
	1% Increase	(104,139)

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18. ACCRUALS AND OTHER CURRENT LIABILITIES

	30	31	1
	September	March	April
	2017	2017	2016
Payable to contractors and others	192,180,190	187,215,782	188,565,285
Rent payable	136,366,012	126,558,954	109,179,958
Provision for Zakat and Income Tax (note 19)	114,794,712	101,756,327	83,508,040
Employees' salaries and benefits	61,693,677	34,169,316	79,818,011
Government duties	35,166,823	35,810,624	10,640,842
Royalty payable	25,224,152	20,464,899	23,352,194
Finance cost accrued	20,367,578	27,643,933	26,748,903
Accrued consignment margin	15,831,712	972,001	5,445,875
Payable against credit cards	41,783	5,581,982	19,376,106
Others	36,738,997	14,747,847	7,759,980
Total	<u>638,405,636</u>	<u>554,921,665</u>	<u>554,395,194</u>

19. ZAKAT AND INCOME TAX

19.1 Zakat and income tax status

The Company has filed its zakat returns with GAZT for all years up to and including the year ended 31 March 2016 and received the zakat certificate. The zakat returns for the years from 31 March 2008 to 31 March 2015 are under review of GAZT. The Company has accrued the zakat liability and is in the process of finalizing its Zakat return for the year ended 31 March 2017.

The Company finalized zakat assessment for 2006, in according to decision received by appeal committee which resulted amount payable to SR1.6 Million. Also, the company finalized zakat assessment for 2007, the appeal committee and GAZT approved the custom duties on import goods which resulted charge of SR0.2 million.

In relation to above, the Company submitted a guarantee of SR4 million which resulted on over payment of SR2.2 Million.

The income tax returns have been filed with the relevant tax authorities for all years up to the year ended 31 March 2016 for the subsidiaries in Jordan, Egypt, Morocco, Armenia and United States of America. For the subsidiary in Georgia, the income tax returns have been filed for all years up to the year ended 31 March 2014. The income tax returns for above subsidiaries are under review by the relevant tax authorities. For the subsidiaries in Kazakhstan, Azerbaijan and Balkan Countries the income tax returns have been filed up to the year ended 31 December 2015. The income tax returns are under review by the relevant tax authorities. There are no pending adverse assessments relating to income tax in any of the subsidiaries. The Group has accrued income tax liabilities and there are no significant penalties under local jurisdictions due to delay in filing of tax returns for above subsidiaries.

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19. ZAKAT AND INCOME TAX (CONTINUED)

19.2 Zakat base

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

	30 September 2017	31 March 2017	1 April 2016
Shareholders' equity and other payables	5,718,282,171	5,462,707,954	5,039,681,966
Adjusted net income	446,874,029	585,256,661	747,328,831
Deductions	<u>(5,101,211,240)</u>	<u>(5,115,935,975)</u>	<u>(4,460,270,237)</u>
Zakat base	<u>1,063,944,960</u>	<u>932,028,640</u>	<u>1,326,740,560</u>
<i>Zakat at 2.5% (higher of adjusted net income or Zakat base)</i>	<u>26,598,624</u>	<u>23,300,716</u>	<u>33,168,514</u>

19.3 Zakat and income tax provision

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

	30 September 2017	31 March 2017
Balance at beginning of the period/year	101,756,327	83,508,040
Provided during the period/year by the Company	12,526,000	10,466,000
Provided during the period/year by the subsidiaries	<u>14,072,624</u>	<u>20,278,684</u>
Total Zakat and tax for the period/year	128,354,951	114,252,724
Payments made during the period/year	<u>(13,560,239)</u>	<u>(12,496,397)</u>
Balance at end of the period/year	<u>114,794,712</u>	<u>101,756,327</u>

20. RELATED PARTY TRANSACTIONS AND BALANCES

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

20.1 Key management personnel compensation

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

	6 months ended 30 September 2017	6 months ended 30 September 2016
Salaries and short-term benefits	5,599,460	9,206,498
Post-employment benefits	<u>3,193,834</u>	<u>5,550,057</u>
Total key management compensation	<u>8,793,294</u>	<u>14,756,555</u>

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20. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

20.2 Related party transactions

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

	6 months ended 30 September 2017	6 months ended 30 September 2016
Related party transaction		
Rental expense(Note:20.2.1)	179,910,610	237,407,938
Key management personnel salaries and benefits	8,793,294	14,756,555
Shop fits, design, and construction work	30,348,309	17,670,804
Payment made on behalf of an associate	--	1,369,702
Printing and advertisement	4,952,213	2,836,255
Other income – Rental income	5,000,000	7,000,000
"Board of Directors' and board committees remuneration and compensation"	2,149,000	2,786,000

20.2.1 This amount is net-off of rent rebate amounting to SR150 million (2016: 50 million) during the period.

20.3 Related party balances

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

	Nature of relationship with related party	Relationship	30 September 2017	31 March 2017	1 April 2016
Amount due from / (to) related parties arising from transaction with related parties are as follows:					
Due from related parties					
Arabian Centers Company	Rentals	Affiliate	312,834,303	228,860,721	252,799,700
Fawaz Abdulaziz Al Hokair Real Estate Co. (Adjusted – Note 7)	Construction Work	Affiliate Equity accounted investee	--	--	--
FG4 limited	Expense paid on behalf	Affiliate Equity accounted investee	25,931,442	25,931,442	24,529,050
Egyptian Centers for Real Estate Development	Rental Shop fits and design	Affiliate	66,126,231	94,640,026	23,859,610
International Shop fittings Ltd	Printing and advertisement	Affiliate	14,547,046	14,547,046	21,673,148
Hajen Company Limited		Affiliate Equity accounted investee	-	4,705,027	--
Amwal Al Khaleeja Al Oula	Management services	Affiliate Equity accounted investee	1,662,877	1,662,877	--
Burberry Saudi Co. Ltd	Services and payments	Affiliate Equity accounted investee	-	--	2,266,603
			421,101,899	370,347,139	325,128,111
Provision against doubtful related party balance			(11,923,760)	(13,721,678)	--
			409,178,139	356,625,461	325,128,111
Due to related parties					
Hajen Company Limited	Printing and advertisement	Affiliate	1,381,761	--	3,802,011
			1,381,761	--	3,802,011

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21. SHARE CAPITAL

On 17 Ramadan 1435H (corresponding to 14 July 2014), the general assembly of shareholders have 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 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.

The Company's shareholding is as follows:

	30 September 2017, 31 March 2017 and 1 April 2016		
	<u>No. of shares</u>	<u>Par value</u>	<u>Total</u>
Ordinary share capital	210,000,000	10	2,100,000,000
	210,000,000	10	2,100,000,000

22. FINANCIAL INSTRUMENTS

22.1 Financial instruments by category

The accounting policies for the financial instruments have been applied to the line items below:

30 September 2017	Carrying	Fair value			Total
<u>(Unaudited)</u>	<u>amount</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets					
<u>measured at fair value</u>					
Available for sale securities	94,000,000	--	--	94,000,000	94,000,000
Financial assets not					
<u>measured at fair value</u>					
Cash and cash equivalents	316,187,458	--	--	--	--
Trade receivables, and other assets	647,726,178	--	--	--	--
Total	1,057,913,636	--	--	94,000,000	94,000,000
Financial liabilities not					
<u>measure at fair value</u>					
Short term borrowings	1,624,493,091	--	--	--	--
Loans and borrowings	1,459,215,100	--	--	--	--
Trade payables	635,840,135	--	--	--	--
Total	3,719,548,326	--	--	--	--

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22. FINANCIAL INSTRUMENTS (CONTINUED)

22.1 Financial instruments by category (continued)

31 March 2017 (Audited)

Financial assets measured at fair value

Available for sale securities

Financial assets not measured at fair value

Cash and cash equivalents

Trade receivables and other assets

Total

Financial liabilities not measure at fair value

Short term borrowings

Loans and borrowings

Trade payables

Total

	<u>Carrying amount</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Available for sale securities	94,000,000	--	--	94,000,000	94,000,000
Cash and cash equivalents	364,830,529	--	--	--	--
Trade receivables and other assets	541,941,983	--	--	--	--
Total	1,000,772,512	--	--	94,000,000	94,000,000
Short term borrowings	1,584,918,565	--	--	--	--
Loans and borrowings	1,722,784,302	--	--	--	--
Trade payables	600,941,729	--	--	--	--
Total	3,908,644,596	--	--	--	--

1 April 2016 (Audited)

Financial assets measured at fair value

Available for sale securities

Financial assets not measured at fair value

Cash and cash equivalents

Trade receivables and other assets

Total

Financial liabilities not measure at fair value

Short term borrowings

Loans and borrowings

Trade payables

Total

	<u>Carrying amount</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Available for sale securities	94,000,000	--	--	94,000,000	94,000,000
Cash and cash equivalents	296,858,268	--	--	--	--
Trade receivables and other assets	450,445,398	--	--	--	--
Total	841,303,666	--	--	94,000,000	94,000,000
Short term borrowings	1,093,542,171	--	--	--	--
Loans and borrowings	2,534,025,018	--	--	--	--
Trade payables	591,169,451	--	--	--	--
Total	4,218,736,640	--	--	--	--

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22. FINANCIAL INSTRUMENTS (CONTINUED)

22.1 Financial instruments by category (continued)

All financial liabilities including trade and other payables, short term and long term borrowings are carried at amortized cost. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

22.2 Risk management of financial instruments

The Group's activities expose it a variety of financial risks, credit risk, liquidity risk and market price risk.

Credit risk

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances, trade receivables and due from related parties as follows:

	30 September 2017	31 March 2017	1 April 2016
Cash at bank	301,218,366	338,250,865	274,415,634
Trade receivables – Third parties	100,306,667	128,528,814	55,456,959
Due from related parties	409,178,139	356,625,461	325,128,111
	<u>810,703,172</u>	<u>823,405,140</u>	<u>655,000,704</u>

The carrying amount of financial assets represent the maximum credit exposure.

Credit risk on receivable and bank balances is limited as:

- Cash balances are held with banks with sound credit ratings ranging from BBB+ to A1.
- Receivables are shown net of allowance for impairment of trade receivables.
- Financial position of related parties is stable.

The receivable balances are monitored with the result that Group's exposure to bad debts is not significant.

Liquidity risk

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

	30 September 2017 (Unaudited)			
	<u>Carrying amount</u>	<u>Less than 1 year</u>	<u>1 year to 5 years</u>	<u>More than 5 years</u>
Liabilities				
Loans and borrowings	1,459,215,100	515,513,803	1,093,159,893	--
Short term borrowings	1,624,493,091	1,667,910,730	--	--
Trade and other payables	635,840,135	635,840,135	--	--
TOTAL	<u>3,719,548,326</u>	<u>2,819,264,668</u>	<u>1,093,159,89</u>	

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22. FINANCIAL INSTRUMENTS (CONTINUED)

22.2 Risk management of financial instruments (continued)

31 March 2017 (Audited)				
	<u>Carrying amount</u>	<u>Less than 1 year</u>	<u>1 year to 5 years</u>	<u>More than 5 years</u>
Liabilities				
Loans and borrowings	1,722,784,302	560,836,659	1,314,513,509	--
Short term borrowings	1,584,918,565	1,613,073,252	--	--
Trade and other payables	600,941,729	600,941,729	--	--
TOTAL	3,908,644,596	2,774,851,640	1,314,513,509	--

1 April 2016 (Audited)				
	<u>Carrying amount</u>	<u>Less than 1 year</u>	<u>1 year to 5 years</u>	<u>More than 5 years</u>
Liabilities				
Loans and borrowings	2,534,025,018	515,026,243	2,084,748,505	104,377,642
Short term borrowings	1,093,542,171	1,144,336,230	--	--
Trade and other payables	591,169,451	591,169,451	--	--
TOTAL	4,218,736,640	2,250,531,924	2,084,748,505	104,377,642

Commission rate risk

It is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Group's financial position and cash flows. Islamic banking facilities (Murabaha) and Sukuk amounting to SR 3,083.7 million at 30 September 2017 (31 March 2017: SR 3,307.7 million, 1 April 2016: SR 3,627.6 million) bear financing commission charges at the prevailing market rates.

The Group's policy is to manage its financing charges using a mix of fixed and variable commission rate debts. The following table demonstrates the sensitivity of the income to reasonable possible changes in the commission rates, with all other variables held constant. There is no direct impact on the Group's equity:

		<u>Increase / decrease in basis points of commission rates</u>	<u>Effect on income for the period</u>
30 September 2017 (Unaudited)	SAR	+30	(6,103,000)
	SAR	-30	6,103,000
31 March 2017 (Audited)	SAR	+30	(6,936,000)
	SAR	-30	6,936,000
1 April 2016 (Audited)	SAR	+30	(7,681,000)
	SAR	-30	7,681,000

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22. FINANCIAL INSTRUMENTS (CONTINUED)

22.2 Risk management of financial instruments (continued)

Currency Risk

It is a risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi riyals, Euros and U.S. dollars. Management monitors the fluctuations in currency exchange rates, and the effect of the currency fluctuation has been accounted for in the consolidated financial statements

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

<i>Foreign currency exposures</i>	30 September 2017	31 March 2017	1 April 2016
Euro	46,391,195	(17,649,645)	(44,087,787)
United States Dollar	(18,115,614)	24,688,728	1,043,585
Great Britain Pound	13,208,699	(8,245,090)	(1,992,698)
United Arab Emirates Dirham	(1,381,896)	50,625,628	10,513,503
Egyptian Pound	313,737,936	455,496,080	56,808,596

The table below shows the non-pegged currencies to which the Group has a significant exposure as at 30 September 2017, 31 March 2017 and 1 April 2016 on its monetary assets and liabilities. The analysis calculates the effect of reasonable possible movement of the currency rate against SR, with all other variables held constant, on the consolidated statement of income.

<i>Foreign currency exposures</i>	<i>Change in currency</i>	30 September 2017	31 March 2017	1 April 2016
Euro	+/- 10%	20,530,000	(7,103,000)	(18,768,000)
Great Britain Pound	+/- 10%	6,627,000	(3,849,000)	(1,073,000)
United Arab Emirates Dirham	+/- 10%	(140,921)	5,164,000	1,072,808
Egyptian Pound	+/- 10%	6,613,000	9,464,000	2,386,000

As the Saudi Riyal is pegged to US Dollar, the group is not exposed to significant currency risk arising out of US Dollar.

23. SEGMENT REPORTING

The company and its subsidiaries mainly trade 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 market, in Jordan, Egypt, Republic of Kazakhstan, United States of America, Republic of Azerbaijan, Georgia, Armenia, Morocco, Balkan countries, Republic of Iraq, United Arab emirates, and England. In addition to the retail of fashion apparels, a subsidiary of the company in the Unites States is also involved in the business of indoor entertainment business for kids.

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23. SEGMENT REPORTING (CONTINUED)

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

	<i>Fashion retail SR '000</i>	<i>Indoor entertainment SR '000</i>	<i>Inter- segment elimination SR'000</i>	<i>Total SR'000</i>
As at 30 September 2017				
Non-current assets	3,456,210	132,432	--	3,588,642
Current assets	3,853,810	372	--	3,854,182
Total liabilities	4,484,556	234	--	4,484,790
As at 30 September 2016				
Non-current assets	3,645,295	107,992	--	3,753,287
Current assets	3,689,169	345	--	3,689,514
Total liabilities	4,721,300	234	--	4,721,534
For the period ended 30 September 2017				
Sales	3,538,930	34,557	--	3,573,487
Depreciation and amortization	(144,421)	(6,690)	--	(151,111)
Finance Charges	(88,367)	-	--	(88,367)
Net income	245,873	(8,565)	--	237,308
For the period ended 30 September 2016				
Sales	3,828,836	26,354	--	3,855,190
Depreciation and amortization	(153,018)	(6,005)	--	(159,023)
Finance Charges	(86,591)	--	--	(86,591)
Net income	296,686	(6,675)	--	290,011

As aforementioned, the operations of the Group are conducted in the Kingdom of Saudi Arabia and certain other countries. Selected financial information as of 30 September and for the years then ended, summarized by geographic area, are as follows:

	<i>Domestic SR '000</i>	<i>International SR '000</i>	<i>Inter- segment elimination SR'000</i>	<i>Total SR'000</i>
As at 30 September 2017				
Non-current assets	4,279,395	555,191	(1,245,944)	3,588,642
Current assets	4,976,981	1,040,723	(2,163,522)	3,854,182
Total liabilities	3,847,641	2,945,684	(2,308,535)	4,484,790
As at 30 September 2016				
Non-current assets	4,174,808	813,725	(1,235,246)	3,753,287
Current assets	4,876,852	1,089,901	(2,277,239)	3,689,514
Total liabilities	3,807,285	2,945,683	(2,031,434)	4,721,534

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23. SEGMENT REPORTING (CONTINUED)

For the period ended 30 September	<i>Domestic</i>	<i>International</i>	<i>Inter-segment elimination</i>	<i>Total</i>
2017	<u><i>SR '000</i></u>	<u><i>SR '000</i></u>	<u><i>SR '000</i></u>	<u><i>SR '000</i></u>
Sales	2,954,531	641,150	(22,194)	3,573,487
Depreciation and amortization	(110,682)	(40,429)		(151,111)
Finance Charges	(88,367)	--		(88,367)
Net income	287,936	(50,628)		237,308
For the period ended 30 September				
2016				
Sales	3,300,778	573,426	(19,014)	3,855,190
Depreciation and amortization	(139,429)	(19,594)	--	(159,023)
Finance Charges	(86,591)	--	--	(86,591)
Net income	312,598	(22,587)	--	290,011

24. COMMITMENTS AND CONTINGENCIES

24.1 Commitments

At 30 September 2017, the Group had commitments of SAR 153 million (31 March 2017: SAR 164 million; 2016: SAR 208 million) relating to capital expenditures.

Operating lease commitments

The Group has entered into operating leases on certain parcels of land and staff accommodation. Future minimum rentals payable under non-cancellable operating leases are, as follows:

	30 September	31 March	1 April
	<u>2017</u>	<u>2017</u>	<u>2016</u>
Within one year	126,939,278	145,374,843	169,842,124
After one year but not more than five years	936,050,171	797,103,680	626,190,938
More than five years	447,114,109	396,353,711	272,552,156
	<u>1,510,103,558</u>	<u>1,338,832,234</u>	<u>1,068,585,218</u>

24.2 Contingent liabilities

At 30 September 2017, the Group had contingent liabilities of SAR 978 million (31 March 2017: SAR 1,014 million; 1 April 2016: SAR 920 million) relating to letter of credit and guarantees.

25 EVENTS AFTER THE REPORTING DATE

No events have arisen subsequent to 30 September 2017 and before the date of signing the financial statements that could have a significant effect on the condensed consolidated interim financial statements as at 30 September 2017.

26 APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved by the Board of Directors for issuance on 16 Safar 1439H (corresponding to 5 November 2017).