

**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**Condensed consolidated interim financial statements**  
(unaudited)  
**For the three and six month periods ended 30 September 2019**  
together with the  
**Independent Auditor's Review Report**

**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the six month period ended 30 September 2019

**INDEX**

	<b><u>PAGES</u></b>
Independent auditor's report on review of condensed consolidated interim financial statements	1-2
Condensed consolidated statement of financial position as at 30 September 2019	3
Condensed consolidated statement of profit or loss for the three month and six month periods ended 30 September 2019	4
Condensed consolidated statement of comprehensive income for the three month and six month periods ended 30 September 2019	5
Condensed consolidated statement of changes in equity for six month period ended 30 September 2019	6
Condensed consolidated statement of cash flows for the six month period ended 30 September 2019	7
Notes to the condensed consolidated interim financial statements for the six month period ended 30 September 2019	8 - 24



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License No. 46/11/323 issued 11/3/1992

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

To the Shareholders of Fawaz Abdulaziz Alhokair & Co.

## Introduction

We have reviewed the accompanying 30 September 2019 condensed consolidated interim financial statements of **Fawaz Abdulaziz Alhokair & Co.** ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 30 September 2019;
- The condensed consolidated statement of profit or loss for the three-month and six-month periods ended 30 September 2019;
- The condensed consolidated statement of comprehensive income for the three-month and six-month periods ended 30 September 2019;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 September 2019;
- the condensed consolidated statement of cash flows for the six-month period ended 30 September 2019; and
- the notes to the condensed consolidated interim financial statements for the six-month period ended 30 September 2019

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.



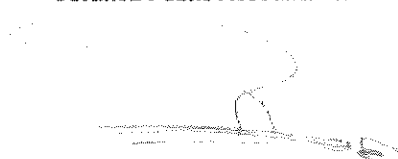
# Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Fawaz Abdulaziz AlHokair & Co. (continued)

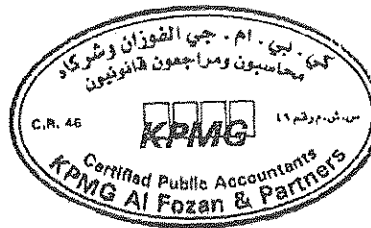
## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2019 condensed consolidated interim financial statements of Fawaz Abdulaziz AlHokair & Co. and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

**For KPMG Al Fozan & Partners  
Certified Public Accountants**

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

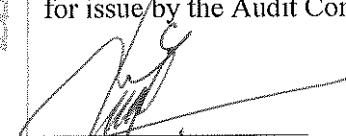
Date: 14 Rabi' I 1441H  
Corresponding to: 11 November 2019




**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 30 September 2019**  
(All amounts in Saudi Riyals unless otherwise stated)

		30 September 2019 (Unaudited)	31 March 2019 (Audited)
	<i>Notes</i>		
<b>Assets</b>			
Property and equipment		1,633,627,489	1,752,363,245
Right of use assets	5	4,447,540,619	--
Goodwill and intangible assets		867,896,341	873,752,580
Investment property		60,269,200	62,769,202
Investments in associates and others	7	81,383,512	389,289,549
Receivable from disposal of subsidiaries	15	75,000,000	75,000,000
<b>Non-current assets</b>		<u>7,165,717,161</u>	<u>3,153,174,576</u>
Inventories		2,039,190,268	1,927,501,987
Advances, deposits and other receivable		584,498,966	698,388,699
Prepayments, rentals and insurance		56,045,393	207,269,731
Receivable from disposal of subsidiaries	15	75,000,000	204,454,285
Cash and cash equivalents		408,755,676	516,394,140
Assets held for sale	8	563,680,000	--
<b>Current assets</b>		<u>3,727,170,303</u>	<u>3,554,008,842</u>
<b>Total assets</b>		<u>10,892,887,464</u>	<u>6,707,183,418</u>
<b>Equity</b>			
Share capital	9	2,100,000,000	2,100,000,000
Statutory reserve		205,816,329	205,816,329
Foreign currency translation reserve		(624,198,182)	(613,274,765)
Fair value reserve		129,680,000	161,041,800
Retained earnings		820,746,834	623,915,770
<b>Equity attributable to the shareholders of the Company</b>		<u>2,632,044,981</u>	<u>2,477,499,134</u>
Non-controlling interest		(65,020,816)	(66,622,617)
<b>Total equity</b>		<u>2,567,024,165</u>	<u>2,410,876,517</u>
<b>Liabilities</b>			
Loans and borrowings	10	1,846,883,205	2,100,502,329
Lease liabilities	5	4,005,613,734	--
Employee benefits		89,718,653	83,664,754
<b>Non – current liabilities</b>		<u>5,942,215,592</u>	<u>2,184,167,083</u>
Loans and borrowings	10	872,369,698	761,669,129
Lease liabilities	5	498,407,247	--
Zakat and tax liabilities		12,508,449	28,093,562
Trade payables		530,869,515	681,739,924
Accruals and other liabilities		469,492,798	640,637,203
<b>Current liabilities</b>		<u>2,383,647,707</u>	<u>2,112,139,818</u>
<b>Total liabilities</b>		<u>8,325,863,299</u>	<u>4,296,306,901</u>
<b>Total equity and liabilities</b>		<u>10,892,887,464</u>	<u>6,707,183,418</u>

The attached notes from 1 to 17 are an integral part of these condensed consolidated interim financial statements. These condensed consolidated interim financial statements were authorized for issue by the Audit Committee, on 14 Rabi'I 1441H (11 November 2019) and signed on its behalf by:

  
Mohammed Abbaoui  
Chief Financial Officer

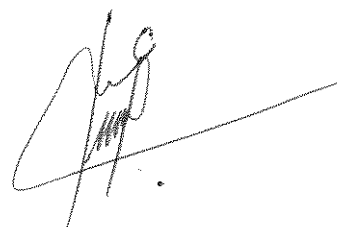
  
Marwan Mukarzel  
Chief Executive Officer

  
Dr. Abdul Majeed Abdulaziz  
Al Hokair  
Chairman

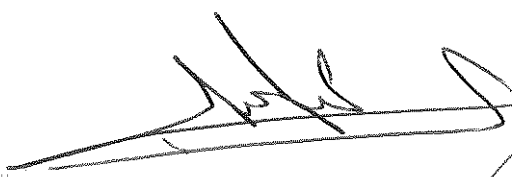
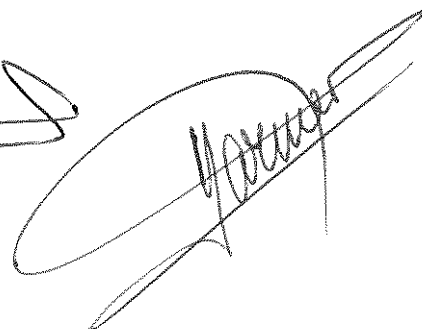
**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)**  
**For the three and six month periods ended 30 September 2019**  
(All amounts in of Saudi Riyals unless otherwise stated)

		Three month ended 30 September 2019 <u>(Unaudited)</u>	Three month ended 30 September 2018 <u>(Unaudited)</u>	Six month ended 30 September 2019 <u>(Unaudited)</u>	Six month ended 30 September 2018 <u>(Unaudited)</u>
	<i>Note</i>				
Revenue	13	1,234,588,433	1,273,969,782	2,966,983,505	3,119,701,864
Cost of revenue		(888,460,543)	(1,024,062,892)	(1,964,992,608)	(2,346,455,988)
<b>Gross profit</b>		<b>346,127,890</b>	<b>249,906,890</b>	<b>1,001,990,897</b>	<b>773,245,876</b>
Selling and distribution expenses		(28,051,263)	(47,413,188)	(67,056,867)	(101,057,955)
General and administrative expenses		(43,559,324)	(75,574,643)	(97,286,621)	(162,224,773)
Depreciation and amortization		(233,531,886)	(72,426,095)	(445,611,088)	(150,594,805)
Other income, net		64,404,790	10,715,705	63,027,840	20,561,112
<b>Operating profit</b>		<b>105,390,207</b>	<b>65,208,669</b>	<b>455,064,161</b>	<b>379,929,455</b>
Finance costs – Loans and borrowings		(51,531,606)	(47,010,634)	(97,241,220)	(103,591,104)
Finance costs – Lease liability		(69,965,058)	--	(136,837,078)	--
<b>Profit/ (loss) before zakat and income tax</b>		<b>(16,106,457)</b>	<b>18,198,035</b>	<b>220,985,863</b>	<b>276,338,351</b>
Zakat and income tax expense		(10,613,444)	(9,257,328)	(22,767,966)	(20,866,983)
<b>Profit/ (loss) for the period</b>		<b>(26,719,901)</b>	<b>8,940,707</b>	<b>198,217,897</b>	<b>255,471,368</b>
<b>Profit / (loss) attributable to:</b>					
Shareholders of the Company		(27,217,269)	10,030,079	196,831,064	259,223,118
Non-controlling interests		497,368	(1,089,372)	1,386,833	(3,751,750)
		<b>(26,719,901)</b>	<b>8,940,707</b>	<b>198,217,897</b>	<b>255,471,368</b>
<b>Earnings/ (loss) per share</b>					
Basic and diluted earnings/ (loss) per share (Saudi Riyal)	11	(0.13)	0.05	0.94	1.23

The attached notes from 1 to 17 are an integral part of these condensed consolidated interim financial statements.



شركة فواز عبد العزيز الحكير وشركاه  
س.ت.أ. ١٠١٠٠٧٦٢٠٩  
شركة مساهمة

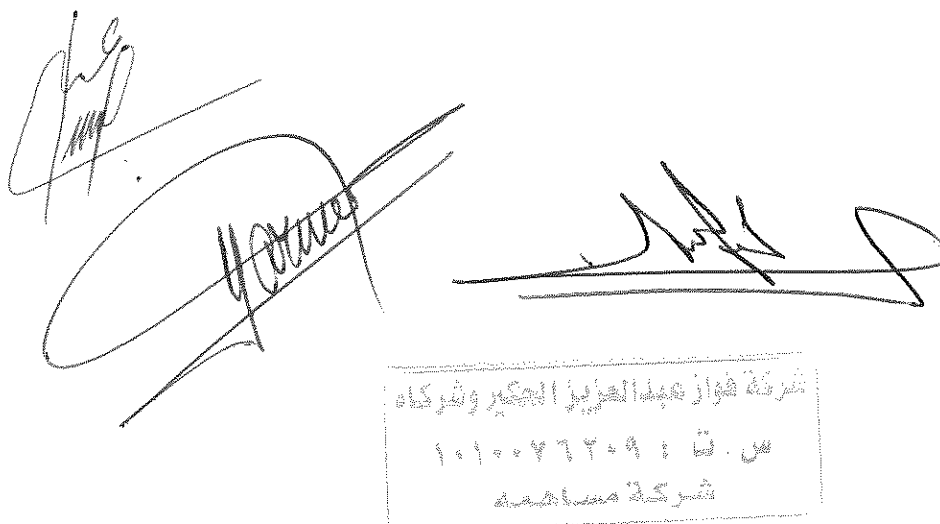



**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(UNAUDITED)

For the three and six month periods ended 30 September 2019  
(All amounts in of Saudi Riyals unless otherwise stated)

	Three month ended 30 September 2019 (Unaudited)	Three month ended 30 September 2018 (Unaudited)	Six month ended 30 September 2019 (Unaudited)	Six month ended 30 September 2018 (Unaudited)
(Loss)/ profit for the period	(26,719,901)	8,940,707	198,217,897	255,471,368
<i>Items that will not be reclassified to profit or loss:</i>				
Equity investments at FVOCI – net change in fair value	(31,361,800)	--	(31,361,800)	--
	(31,361,800)	--	(31,361,800)	--
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Foreign Operations – foreign currency translation differences	(8,220,476)	1,426,680	(10,708,449)	(3,160,243)
	(8,220,476)	1,426,680	(10,708,449)	(3,160,243)
Other comprehensive (loss) / income for the period	(39,582,276)	1,426,680	(42,070,249)	(3,160,243)
Total comprehensive (loss) / income for the period	(66,302,177)	10,367,387	156,147,648	252,311,125
<b>Total comprehensive (loss) / income for the period attributable to:</b>				
Shareholders of the Company	(66,889,121)	11,413,707	154,545,847	254,609,320
Non-controlling interests	586,944	(1,046,320)	1,601,801	(2,298,197)
	(66,302,177)	10,367,387	156,147,648	252,311,125

The attached notes from 1 to 17 are an integral part of these condensed consolidated interim financial statements.



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شركة مساهمة

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



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

**For the six month period ended 30 September 2019**

(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Foreign currency translation reserve	Fair value reserve	Retained earnings	Total shareholders' equity	Non-Controlling interests	Total equity
<b>Balance at 1 April 2018</b>	2,100,000,000	191,341,548	(525,468,725)	--	482,419,045	2,248,291,868	(63,562,099)	2,184,729,769
<i>Total comprehensive income / (loss) for the period</i>								
Profit / (loss) for the period	--	--	--	--	259,223,118	259,223,118	(3,751,750)	255,471,368
Other comprehensive (loss) / income	--	--	(4,613,796)	--	--	(4,613,796)	1,453,553	(3,160,243)
Total comprehensive (loss) / income for the period	--	--	(4,613,796)	--	259,223,118	254,609,322	(2,298,197)	252,311,125
<b>Balance at 30 September 2018</b>	2,100,000,000	191,341,548	(530,082,521)	--	741,642,163	2,502,901,190	(65,860,296)	2,437,040,894
<b>Balance at 1 April 2019</b>	2,100,000,000	205,816,329	(613,274,765)	161,041,800	623,915,770	2,477,499,134	(66,622,617)	2,410,876,517
<i>Total comprehensive income / (loss) for the period</i>								
Profit for the period	--	--	--	--	196,831,064	196,831,064	1,386,833	198,217,897
Other comprehensive (loss) / income	--	--	(10,923,417)	(31,361,800)	--	(42,285,217)	214,968	(42,070,249)
Total comprehensive (loss) / income for the period	--	--	(10,923,417)	(31,361,800)	196,831,064	154,545,847	1,601,801	156,147,648
<b>Balance at 30 September 2019</b>	2,100,000,000	205,816,329	(624,198,182)	129,680,000	820,746,834	2,632,044,981	(65,020,816)	2,567,024,165

The attached notes from 1 to 17 are an integral part of these condensed consolidated interim financial statements.

شركة فواز عبد العزيز الحكير  
 مس. ق. : ١٠١٠٧٦٢٠٩  
 مقعد في الرياض



(All amounts in Saudi Riyals unless otherwise stated)

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**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the six month period ended 30 September 2019**  
(All amounts in Saudi Riyals unless otherwise stated)

**1. REPORTING ENTITY**

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

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

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

**2. GROUP STRUCTURE**

These consolidated interim 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>	<u>Ownership% held by the Group as at:</u>	
		<u>30</u>	<u>31 March</u>
		<u>September</u>	<u>2019</u>
		<b>2019</b>	<b>2019</b>
Al Waheedah Equipment Co. Ltd.	Kingdom of Saudi Arabia	100	100
Haifa B. Al Kalam & Partners Co. for trading	Kingdom of Saudi Arabia	100	100
Saudi Retail Co. Ltd	Kingdom of Saudi Arabia	100	100
Wahba Trading Company Limited	Kingdom of Saudi Arabia	100	100
Unique Technology Trading Company	Kingdom of Saudi Arabia	100	100
Nesk Trading Projects Company	Kingdom of Saudi Arabia	100	100
Logistics Fashion Trading DWC-LLC	United Arab Emirates	100	100
Advanced Fashion Concepts LLC	United Arab Emirates	100	100
International Fashion Franchising Limited	United Arab Emirates	100	100
Fashion Retail Kazakhstan LLP	Republic of Kazakhstan	100	100
Global Apparel Kazakhstan LLP	Republic of Kazakhstan	100	100
Retail Group Georgia LLC	Georgia	100	100
Master Retail Georgia LLC	Georgia	100	100

**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the six month period ended 30 September 2019**  
(All amounts in Saudi Riyals unless otherwise stated)

**2. GROUP STRUCTURE (CONTINUED)**

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Ownership% held by the Group as at:</u>	
		<u>30 September 2019</u>	<u>31 March 2019</u>
Spanish Retail Georgia LLC	Georgia	100	100
Pro Retail Georgia LLC	Georgia	100	100
Best Retail Georgia LLC	Georgia	100	100
Mega Store Georgia LLC	Georgia	100	100
Fashion Retail Georgia LLC	Georgia	100	100
Global Apparel Georgia LLC	Georgia	100	100
Retail Group Holding LLC	Georgia	100	100
Pro Retail Georgia LLC	Georgia	100	100
Modern Fashion Trading Line	Georgia	100	100
International Retail of Morocco	Morocco	100	100
Multi Trends Co.	Morocco	100	100
Retail Group of America LLC	United States of America	100	100
Monsoon Accessories USA INC	United States of America	100	100
Retail Group Jennyfer	United States of America	100	100
Retail Group France LLC	United States of America	100	100
Retail Group Spain LLC	United States of America	100	100
Retail Group Germany	United States of America	100	100
Retail Group Lipsy LLC	United States of America	100	100
Retail Group Zippy LLC	United States of America	100	100
Retail Group Cortefiel	United States of America	100	100
Retail Group Flormar	United States of America	100	100
Retail Group Balkans doo Beograd	Republic of Serbia	100	100
Retail Group Balkans doo Podgorica	Balkan Peninsula	100	100
Retail Group Balkans doo Banjalika	Balkan Peninsula	100	100
RIGE Co.	Arab Republic of Egypt	99	99
Retail Group Egypt Co. S.A.E	Arab Republic of Egypt	98	98
Spanish Retail CJSC	Armenia	100	100
ZR Fashion Retail CJSC	Armenia	100	100
Global Apparel CJSC	Armenia	100	100
BR Fashion Retail CJSC	Armenia	100	100
Master Retail CJSC	Armenia	100	100
Best Retail CJSC	Armenia	100	100
Retail Group CJSC	Armenia	100	100
Pro Retail CJSC	Armenia	100	100
Factory Prices CJSC	Armenia	100	100
RGAM Retail Group Armenia CJSC	Armenia	96	96
Retail Group Jordan Co. LTD	Hashemite Kingdom of Jordan	95	95
Nesk Trading Projects LLC	Hashemite Kingdom of Jordan	100	100
Retail General Trading Co. Ltd.	Iraq	95	95
United Group Retail Trading Company LLC	Iraq	66.5	66.5
Models Own Holding Limited	United Kingdom	51	51
Models Own Limited	United Kingdom	51	51
Models Own International Ltd.	United Kingdom	51	51
Retail Group Azerbaijan LLC	Azerbaijan	85	85
Fashion Retail Azerbaijan LLC	Azerbaijan	85	85
Spanish Retail Azerbaijan LLC	Azerbaijan	85	85
Global Apparel Azerbaijan LLC	Azerbaijan	85	85
Mega Store Azerbaijan LLC	Azerbaijan	85	85
Master Retail Azerbaijan LLC	Azerbaijan	85	85
Pro Retail Azerbaijan LLC	Azerbaijan	85	85
Retail Group Holding LLC	Azerbaijan	85	85
Best Retail Azerbaijan LLC	Azerbaijan	85	85

**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the six month period ended 30 September 2019**  
(All amounts in Saudi Riyals unless otherwise stated)

**2. GROUP STRUCTURE (CONTINUED)**

In line with its strategy to expand into food and entertainment businesses, the Group is considering to acquire an existing business. On 3<sup>rd</sup> August 2019, the Company has signed a purchase agreement (the "Agreement") to acquire 100% of the share capital of Innovative Union Company (Single Shareholder Company) owned by Food and Entertainment Company Ltd. (indirectly owned by Saudi FAS Holding Company), for an agreed purchase price of SR 340 million. Innovative Union Company specializes in food industry and services through international agencies. The company currently manages 10 brands and more than 200 branches around the Kingdom. The consideration will be settled by way of exchange of certain non-core assets. As at 30 September 2019, the Group does not hold control over the Company as the process for transfer of ownership is in progress.

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 ACCOUNTING**

**3.1 Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") and should be read in conjunction with the Group's last annual Consolidated Financial Statements as at and for the year ended 31 March 2019 ("last annual Financial Statements"). These financial statements do not include all of the information required for a complete set of IFRS Financial Statements however; selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual Financial Statements.

This is the first set of the Group's financial statements in which IFRS 16 'Leases' has been applied and the resultant changes to the significant accounting policies are described in Note 5.

**3.2 Preparation of financial statements**

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

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

**3.3 Use of judgments and estimates**

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for the new significant judgements related to lessee accounting under IFRS 16, which are described in Note 5.

**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the six month period ended 30 September 2019**  
(All amounts in Saudi Riyals unless otherwise stated)

**4. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

A number of new pronouncements are effective for annual periods beginning on or after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these condensed consolidated interim financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendment to IFRS 3)
- Definition of Material (Amendment to IAS 1 and IAS 8)
- IFRS 17 Insurance Contracts.
- Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (Amendments to IFRS 10 and IAS 28)

**5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES:**

Except as described below, the accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated annual financial statements for the year ended 31 March 2019.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 March 2020.

The Group has initially adopted IFRS 16 'Leases' from 1 April 2019. A number of other new interpretations are effective from 1 April 2019 but they do not have a material effect on the Group's consolidated financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 31 March 2019 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

**Significant accounting policies under IFRS 16 – effective from 1 April 2019**

The Group adopted IFRS 16 'Leases' with effect from 1 April 2019. The standard replaces the existing guidance on leases, 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 in the Legal Form of a Lease'.

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the six month period ended 30 September 2019**  
(All amounts in Saudi Riyals unless otherwise stated)

**5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)**

**Significant accounting policies under IFRS 16 – effective from 1 April 2019 (continued)**

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the Group's Financial Position, unless the term is twelve months or less or the lease for low value asset. Thus, the classification required under IAS 17 'Leases' into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is depreciated over the useful life.

The Group recognizes a right-of-use asset (RoU asset) and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability.

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

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options based on mutual agreement between the parties. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Generally, RoU asset would be equal to the lease liability. However, if there are any additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the RoU asset value.

**Impact of adoption of IFRS 16**

On transition to IFRS 16, the Group elected to apply the practical expedient (as explained in subsequent paragraphs) to grandfather the assessment of which transitions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 April 2019.

Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the six month period ended 30 September 2019  
(All amounts in Saudi Riyals unless otherwise stated)

**5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impact of adoption of IFRS 16 (continued)**

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than twelve months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

On transition to IFRS 16, the Group recognized right-of-use assets and lease liabilities. The prepaid and accrued rentals are adjusted against the right-of-use assets.

The impact of transition on the condensed consolidated statement of financial position is summarised below:

Impact on	1 April 2019
Right-of-use assets	4,801,733,006
Lease liabilities	4,762,265,146
Prepayments, rentals and insurance	163,636,613
Accruals and other liabilities	124,168,753

When measuring lease liabilities for leases that were classified as operating leases under IAS 17, the Group discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted average rate applied is 5.3 – 6.5%.

**Impact for the period**

As a result of initially applying IFRS 16, the Group has recognized for the six month period ended 30 September 2019, SR 311 million of depreciation charges and SR 136 million of interest costs from these leases, resulting in a carrying value of SR 4,447 million and SR 4,504 million for right of use assets and lease liabilities respectively as at 30 September 2019.

Additions to right of use assets and lease liabilities due to new stores and lease modification during the six month period ended 30 September 2019 are SR 68.1 million. Further, the Group terminated certain leases resulting in write-off of right of use asset and lease liability of SR 111 million and SR 119 million respectively.

**6. INTERIM RESULTS**

The operations and revenues of the Group are affected by seasonal changes during the year. Therefore, the results of operations for the three and six months period ended 30 September 2019, may not provide an accurate indication of the actual results for the full year.

**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the six month period ended 30 September 2019**  
(All amounts in Saudi Riyals unless otherwise stated)

**7. INVESTMENTS IN ASSOCIATES AND OTHERS**

	<i>Ownership %</i>	<i>Country of incorporation</i>	<b>30 September 2019</b>	<b>31 March 2019</b>
<b>Equity accounted investees:</b>				
Amwal Al Khaleejia Al Oula	25	Kingdom of Saudi Arabia	22,435,561	22,435,561
Investate Harbour Land	9.3	Kingdom of Bahrain	16,495,794	16,495,794
Investate Harbour	1.7	Kingdom of Bahrain	900,750	900,750
Burberry Saudi Co. Ltd.	25	Kingdom of Saudi Arabia	16,933,015	16,933,015
FG4 Limited	50	United Arab Emirates	24,618,392	24,618,392
Al Farida Trading Agencies	35	Kingdom of Saudi Arabia	—	13,908,062
Al Waheedah Equipment				
General Trading FZCO	49	United Arab Emirates	—	38,956,175
			<b>81,383,512</b>	<b>134,247,749</b>
<b>FVOCI Investment:</b>				
Trade Center Co. Ltd.	9.3	Kingdom of Saudi Arabia	—	255,041,800
			<b>81,383,512</b>	<b>389,289,549</b>

**8. ASSETS HELD FOR SALE**

- i) In August 2019, the Group has committed to transfer certain non-core assets as purchase price consideration for 100% equity share of Innovative Union Company (Single Shareholder Company). Accordingly, these assets have been presented as assets held for sale. The legal formalities for the sale have started and are expected to be completed by December 2019. Assets held for sale have been recorded at their fair value less costs to sell and comprised the following assets.

	<b>30 September 2019</b>
Other receivables	157,681,478
Receivable from disposal of subsidiaries	129,454,285
Investment in associates	52,864,237
	<b>340,000,000</b>

- ii) In September 2019, the Group has committed to a plan to sale equity investment in Trade Centre Company Limited. Accordingly, the investment has been presented as asset held for sale. Asset held for sale have been recorded at their fair value less costs to sell resulting in a loss of SR 31.3 million which have been included in other comprehensive income during the period.

	<b>30 September 2019</b>
Investment in Trade Center Co. Ltd.	<b>223,680,000</b>

**9. SHARE CAPITAL**

The Company's share capital consists of 210 million shares (31 March 2019: 210 million shares) of SR 10 each fully paid and issued amounting to SR 2,100 million (31 March 2019: SR 2,100 million).



**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the six month period ended 30 September 2019  
(All amounts in Saudi Riyals unless otherwise stated)

**10. LOANS & BORROWINGS**

	<u>Note</u>	30 September <u>2019</u>	31 March <u>2019</u>
<i><b>Non-current liabilities</b></i>			
Long term borrowings	10.1	<u>1,846,883,205</u>	<u>2,100,502,329</u>
<i><b>Current liabilities</b></i>			
Current portion of long-term borrowings	10.1	475,103,420	464,896,241
Short term borrowings	10.2	<u>397,266,278</u>	<u>296,772,888</u>
		<u>872,369,698</u>	<u>761,669,129</u>

**10.1 Long term borrowings**

	<u>Note</u>	30 September <u>2019</u>	31 March <u>2019</u>
<i><b>Murabaha financing</b></i>			
Facility 1	10.1.1	44,531,250	133,593,750
Facility 2	10.1.1	140,568,750	168,682,500
Facility 3	10.1.1	31,250,000	62,500,000
Facility 4	10.1.1	1,090,156,086	1,149,306,904
Facility 5	10.1.1	766,095,000	795,547,500
Facility 6	10.1.1	<u>278,580,000</u>	<u>289,290,000</u>
		2,351,181,086	2,598,920,654
Less: Upfront fees		<u>(29,194,461)</u>	<u>(33,522,084)</u>
		<u>2,321,986,625</u>	<u>2,565,398,570</u>

	30 September <u>2019</u>	31 March <u>2019</u>
<b>Presented in the statement of financial position as follows:</b>		
Non-current portion of long-term borrowings	1,846,883,205	2,100,502,329
Current portion of long-term borrowings	<u>475,103,420</u>	<u>464,896,241</u>
	<u>2,321,986,625</u>	<u>2,565,398,570</u>

**10.1.1 Murabaha financing**

**Facility 1**

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 2019, the Group has fully utilized this facility. The Murabaha facility carries markup at LIBOR plus agreed margin per annum.

**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the six month period ended 30 September 2019**  
(All amounts in Saudi Riyals unless otherwise stated)

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

**10.1.1 Murabaha financing (continued)**

**Facility 2**

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 2018 and ending on 28 December 2021. The facility is secured by promissory notes by the Group. As at 30 September 2019, the Group has fully utilized this facility. The Murabaha facility carries markup at Emirates Interbank Offered Rate (EIBOR) plus agreed margin per annum. During the period ended 30 September 2019, the Group has breached certain financial covenants and agreed payment of outstanding amount on demand. Accordingly, the outstanding facility amount of SR 140.6 million has been classified under current liability.

**Facility 3**

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 2018 and ending on 25 December 2019. The facility is secured by given promissory notes given by the Group. As at 30 September 2019, the Group has fully utilized this facility. The Murabaha facility carries markup at LIBOR plus agreed margin per annum.

**Facility 4**

The Group signed a long-term Murabaha financing agreement with Al-Rajhi Banking and Investment Corporation, amounting to SR 1.25 billion on 22 August 2018. As per the terms of the agreement, the term of the Murabaha facility is for a period of seven years. The Murabaha facility is secured by promissory notes issued by the Group. The facility is repayable in equal semi-annual installments commencing after six months from the date of the first disbursement on 09 October 2018. As at 30 September 2019, the Group has fully utilized this facility. The Murabaha facility carries markup at Saudi Interbank Offered Rate ('SIBOR') plus agreed margin per annum.

**Facility 5**

The Group signed a long-term Murabaha financing agreement with The National Commercial Bank and SAMBA, amounting to SR 825 million on 31 May 2019. As per the terms of the agreement, the term of the Murabaha facility is for a period of seven years. The Murabaha facility is secured by promissory notes issued by the Company. The facility is repayable in semi-annual installments commencing after six months from the date of signing the agreement 31<sup>st</sup> May 2019. As at 30 September 2019, the Group has fully utilized this facility. The Murabaha facility carries markup at Saudi Interbank Offered Rate ('SIBOR') plus agreed margin per annum.

**Facility 6**

The Group signed a long-term Murabaha financing agreement with Abu Dhabi Islamic Bank, amounting to USD80 million on 31 May 2019. As per the terms of the agreement, the term of the Murabaha facility is for a period of seven years. The Murabaha facility is secured by promissory notes issued by the Company. The facility is repayable in semi-annual installments commencing after six months from the date of signing the agreement 31<sup>st</sup> May 2019. As at 30 September 2019, the Group has fully utilized this facility. The Murabaha facility carries markup at London Interbank Offered Rate ('LIBOR') plus agreed margin per annum.

**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the six month period ended 30 September 2019**  
(All amounts in Saudi Riyals unless otherwise stated)

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

**10.1.1 Murabaha financing (continued)**

The loans contain certain financial covenants. A future breach of covenants may lead to renegotiation including increase in profit rates, withdrawal of facility or repayment on demand. The covenants are monitored on a periodic basis by management. In case of potential breach, actions are taken by management to ensure compliance.

During the period ended 30 September 2019, there has been non-compliance of certain covenants on outstanding facilities with Al-Rajhi Banking and Investment Corporation and the National Commercial Bank. Management is under discussion with the financial institutions for waiver and expects incremental increase in profit rate for future periods as per terms of the agreement. Accordingly, the loans were not repayable on demand at 30 September 2019.

**10.2 Short term borrowings**

	<u>Note</u>	30 September <u>2019</u>	31 March <u>2019</u>
Short-term Murabaha facilities	10.2.1	241,014,342	247,145,752
Short term financing	10.2.2	122,030,890	--
Long term Murabaha facility	10.2.3	15,740,834	26,234,722
Short term financing (Jordan)	10.2.4	18,480,212	23,392,414
		<u>397,266,278</u>	<u>296,772,888</u>

**10.2.1 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 2019: SR 1,350 million). The facilities are secured by promissory notes by the Group and utilized for working capital management.

**10.2.2 Short-term other financing**

During the period, the Group entered into an arrangement with an unrelated counterparty whereby the Group sold certain inventory items for SR 137.3 million and repurchased the same for SAR 150 million with a settlement term of 1 year. Out of the total sale consideration SAR 122 million were received by the Company. As the Company continued to retain control over these inventory items the arrangement does not qualify as sale and purchase transaction. Accordingly, this arrangement is not reflected as sale or purchase but as short-term financing. The differential between the sale and repurchase price is being amortized over the period of the arrangement. The arrangement is secured by irrevocable standby letters of credit.

**10.2.3 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 2019, the Group has fully utilized the medium-term loan.

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

Retail Group Jordan has short-term financing facilities with the bank at an annual interest rate ranging from 8%-8.75%.

**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the six month period ended 30 September 2019**  
(All amounts in Saudi Riyals unless otherwise stated)

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

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

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

	3 months period ended 30 September <u>2019</u>	3 months period ended 30 September <u>2018</u>	6 months period ended 30 September <u>2019</u>	6 months period ended 30 September <u>2018</u>
Weighted average number of ordinary shares for the purpose basic and diluted earnings per share	210,000,000	210,000,000	210,000,000	210,000,000
Profit/ (loss) attributable to ordinary shareholders	(27,217,269)	10,030,079	196,831,064	259,223,118
Basic and diluted earnings/ (loss) per ordinary share	(0.13)	0.05	0.94	1.23

**12. OPERATING SEGMENTS**

The Group 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 United States of America is also involved in the business of indoor entertainment for kids. The Group's Executive Committee reviews the internal management reports of each segment at least quarterly.

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

	<i>Domestic</i> <u>SR '000</u>	<i>International</i> <u>SR '000</u>	<i>Inter- segment elimination</i> <u>SR'000</u>	<i>Total</i> <u>SR'000</u>
<b><u>As at 30 September 2019</u></b>				
Non-current assets	7,602,122	309,692	(746,097)	7,165,717
Current assets	4,569,176	600,076	(1,442,082)	3,727,170
Total liabilities	4,754,601	1,884,527	1,686,735	8,325,863
<b><u>As at 31 March 2019</u></b>				
Non-current assets	3,230,716	323,083	(400,624)	3,153,175
Current assets	4,501,629	643,997	(1,591,617)	3,554,009
Total liabilities	3,919,898	1,856,215	(1,479,806)	4,296,307
<b><u>For six month period ended 30 September 2019</u></b>				
Sales	2,480,467	496,243	(9,726)	2,966,984
Depreciation and amortization	(361,871)	(83,740)	—	(445,611)
Finance charges	(201,898)	(32,180)	—	(234,078)
Net income	223,460	(52,282)	27,040	198,218

**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the six month period ended 30 September 2019**  
(All amounts in Saudi Riyals unless otherwise stated)

**12. OPERATING SEGMENTS (CONTINUED)**

	<i>Domestic</i>	<i>International</i>	<i>Inter-segment elimination</i>	<i>Total</i>
For six month period ended	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
<u>30 September 2018</u>				
Sales	2,631,185	505,398	(16,881)	3,119,702
Depreciation and amortization	(111,838)	(38,757)	--	(150,595)
Finance charges	(103,327)	(264)	--	(103,591)
Net income	274,525	(20,561)	1,507	255,471

	<i>Fashion retail</i>	<i>Indoor entertainment</i>	<i>Inter-segment elimination</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
<u>As at 30 September 2019</u>				
Non-current assets	6,857,379	308,338	--	7,165,717
Current assets	3,721,295	5,875	--	3,727,170
Total liabilities	8,100,305	225,558	--	8,325,863
<u>As at 31 March 2019</u>				
Non-current assets	3,118,944	34,231	--	3,153,175
Current assets	3,551,899	2,110	--	3,554,009
Total liabilities	4,286,520	9,787	--	4,296,307

For six month period ended				
<u>30 September 2019</u>				
Sales	2,931,697	35,287	--	2,966,984
Depreciation and amortization	(426,818)	(18,793)	--	(445,611)
Finance charges	(229,358)	(4,720)	--	(234,078)
Net income	216,982	(18,764)	--	198,218

For six month period ended				
<u>30 September 2018</u>				
Sales	3,081,207	38,495	--	3,119,702
Depreciation and amortization	(141,790)	(8,805)	--	(150,595)
Finance charges	(103,591)	--	--	(103,591)
Net income	257,813	(2,342)	--	255,471

**13. REVENUE**

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

30 September 2019	Segments			Total
	Apparels	Footwear & Accessories	Others	
Saudi Arabia	2,145,538,429	229,430,489	105,498,387	2,480,467,305
CIS countries	250,315,898	13,782,410	5,431,075	269,529,383
USA and others	114,416,297	58,465,723	44,104,797	216,986,817
<b>Total</b>	<b>2,510,270,624</b>	<b>301,678,622</b>	<b>155,034,259</b>	<b>2,966,983,505</b>

**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the six month period ended 30 September 2019**  
(All amounts in Saudi Riyals unless otherwise stated)

**13. REVENUE (CONTINUED)**

30 September 2018	Segments			Total
	Apparels	Footwear & Accessories	Others	
Saudi Arabia	2,286,588,558	241,388,072	103,208,741	2,631,185,371
CIS countries	243,608,174	12,651,531	7,254,247	263,513,952
USA and others	116,375,171	56,541,130	52,086,240	225,002,541
<b>Total</b>	<b>2,646,571,903</b>	<b>310,580,733</b>	<b>162,549,228</b>	<b>3,119,701,864</b>

**14. RELATED PARTY TRANSACTIONS**

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

**14.1 Key management personnel compensation**

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

	30 September 2019	30 September 2018
Salaries and short-term benefits	6,672,486	4,189,488
Post-employment benefits	2,635,835	4,581,762
Board of Directors and board committees remuneration and compensation	--	1,715,000
<b>Total key management compensation</b>	<b>9,308,321</b>	<b>10,486,250</b>

**14.2 Related party transactions**

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

	Nature of relationship with related party	Relationship	30 September 2019	30 September 2018
Arabian Centers Company	Rentals / Lease liability paid	Affiliate	230,101,602	176,486,498
Saudi FAS Holding Company	Expenses paid on behalf of Company	Shareholder	81,517,659	--
Egyptian Centers for Real Estate Development	Rentals / Lease liability paid	Affiliate	2,186,481	1,704,048
Al Farida Trading Agencies	Services and payments	Equity accounted investee	881,474	1,098,820
Hajen Company Limited	Printing and advertisement	Affiliate	3,222,013	2,700,712
Others	Revenue	Affiliate	203,903	1,960,051

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

**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the six month period ended 30 September 2019**  
(All amounts in Saudi Riyals unless otherwise stated)

**15. RECEIVABLE FROM DISPOSAL OF SUBSIDIARIES**

**Non-Current Portion:**

	<i>Note</i>	<b><u>30 September</u></b> <b><u>2019</u></b>	<b><u>31 March 2019</u></b>
Receivable in respect of sale of Global Levvia and its subsidiaries	15.1	75,000,000	75,000,000
		<u>75,000,000</u>	<u>75,000,000</u>

**Current Portion:**

	<i>Note</i>	<b><u>30 September</u></b> <b><u>2019</u></b>	<b><u>31 March 2019</u></b>
Receivable in respect of sale of Global Levvia and its subsidiaries	15.1	75,000,000	150,000,000
Receivable in respect of sale of Al Farida Trading Agencies Company (Note 8)		—	13,908,062
Al Waheeda Equipment General Trading FZCO (Note 8)		—	40,546,223
		<u>75,000,000</u>	<u>204,454,285</u>

- 15.1** During the year ended 31 March 2017, pursuant to the decision of the Board of Directors in their meeting held on 29 June 2016, the Group has disposed off Global Levvia and its subsidiaries ("the Disposed Entities") as per the terms of the sale and purchase agreement dated 29 June 2016 for a total consideration of SR 375 million receivable in 5 annual equal installments starting from 29 June 2017 onwards. Management rights have been transferred by the Group and accordingly, the Group has lost its power to direct the relevant activities of the Disposed Entities.

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

On 3<sup>rd</sup> August 2019, the Company has signed a purchase agreement (the "Agreement") to acquire 100% of the share capital of Innovative Union Company (Single Shareholder Company) owned by Food and Entertainment Company Ltd. (indirectly owned by Saudi FAS Holding Company), for an agreed purchase price of SR 340 million. The consideration will be settled by way of exchange of certain assets including receivable from disposal of subsidiaries, refer note 8.

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

**16.1 Accounting classification and fair values**

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

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

When measuring the fair value the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the six month period ended 30 September 2019**  
(All amounts in Saudi Riyals unless otherwise stated)

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

**16.1 Accounting classification and fair values (continued)**

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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

<u>30 September 2019</u>	<u>Carrying amount</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<b>Financial assets measured at fair value</b>					
Equity investments at fair value through OCI	223,680,000	--	--	223,680,000	223,680,000

<u>31 March 2019</u>	<u>Carrying amount</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
<b>Financial assets measured at fair value</b>					
Equity investments at fair value through OCI	255,041,800	--	--	255,041,800	255,041,800

**Financial Liabilities**

All financial liabilities are measured at amortised cost using the effective interest rate method and as a result the carrying amounts is a reasonable approximation of the fair value.

**16.2 Measurement of fair values**

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used.

<b>Type</b>	<b>Valuation technique</b>
Equity securities	<p>The valuation model is based on discounted cash flows and considers the present value of the expected future income receivable under lease agreements and forecast take-up of vacant units, discounted using a risk-adjusted discount rate. The estimate is adjusted for the net debt of the investee.</p> <p>Significant unobservable inputs include expected cash flows and risk adjusted discount rate. The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>- the expected cash flows were higher (lower); or</li> <li>- the risk-adjusted discount rate were lower (higher).</li> </ul>



**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the six month period ended 30 September 2019**  
(All amounts in Saudi Riyals unless otherwise stated)

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

**16.3 Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk

**i) Risk Management Framework**

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

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

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

**ii) Credit risk**

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

	<b>30 September 2019</b>	<b>31 March 2019</b>
Cash at banks	395,454,250	500,421,060
Advances, deposits and other receivables	84,546,195	356,259,259
Receivable from disposal of subsidiaries and brands	150,000,000	279,454,285
	<u>630,000,445</u>	<u>1,136,134,604</u>

The cash and receivable balances are monitored with the result that Group's exposure to impairment on doubtful debts is not significant.

**FAWAZ ABDULAZIZ ALHOKAIR & COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**For the six month period ended 30 September 2019**  
(All amounts in Saudi Riyals unless otherwise stated)

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

**16.4 Financial risk management**

**iii) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Group's future commitments.

**iv) Market risk**

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

**17. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The condensed consolidated interim financial statements were approved for issuance on 14 Rabi' I 1441H (corresponding to 11 November 2019).