

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

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR YEAR ENDED 31 MARCH 2015

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AUDITORS' REPORT TO THE SHAREHOLDERS OF FAWAZ ABDULAZIZ AL HOKAIR & CO. (A SAUDI JOINT STOCK COMPANY)

Scope of audit

We have audited the accompanying consolidated balance sheet of Fawaz Abdulaziz Al Hokair & Co. - A Saudi Joint Stock Company (the "Company") and its subsidiaries (the "Group") as at 31 March 2015 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the Group's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified opinion

In our opinion, the consolidated financial statements taken as a whole:

- i. present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2015 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- ii. comply with the requirements of the Regulations for Companies and the Company's By-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young

Rashid S. Al-Rashoud
Certified Public Accountant
Registration No. 366



Riyadh: 21 Rajab 1436H
(10 May 2015)

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

CONSOLIDATED BALANCE SHEET

As at 31 March 2015

	Note	2015 SR	2014 SR
ASSETS			
CURRENT ASSETS			
Cash and bank balances	4	279,957,636	101,006,685
Trade receivables, prepayments and other assets	5	882,333,590	739,364,628
Amounts due from related parties	6	281,728,504	137,728,024
Inventories	7	2,016,265,250	1,534,192,950
TOTAL CURRENT ASSETS		3,460,284,980	2,512,292,287
NON-CURRENT ASSETS			
Investments in associates and others	8	318,467,050	260,091,647
Property and equipment	9	2,046,973,906	1,641,000,670
Intangible assets - Goodwill	10	798,743,156	479,234,543
Other intangible assets	11	145,155,772	123,298,390
TOTAL NON-CURRENT ASSETS		3,309,339,884	2,503,625,250
TOTAL ASSETS		6,769,624,864	5,015,917,537
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term Murabaha financing and loans	13	833,290,230	465,692,323
Current portion of long-term funding	14	195,587,581	307,357,934
Trade accounts payables		570,495,843	550,155,761
Accrued expenses and other payables	15	509,983,725	519,164,798
Amounts due to related parties	6	1,168,221	84,682,261
TOTAL CURRENT LIABILITIES		2,110,525,600	1,927,053,077
NON-CURRENT LIABILITIES			
Long-term funding	14	2,163,460,629	565,709,222
End-of-service indemnities		78,756,624	70,161,999
TOTAL NON-CURRENT LIABILITIES		2,242,217,253	635,871,221
TOTAL LIABILITIES		4,352,742,853	2,562,924,298
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	17	2,100,000,000	1,050,000,000
Statutory reserve	18 (a)	80,295,155	328,278,314
Foreign currency translation reserve	18 (b)	(228,569,465)	-
Retained earnings		447,720,167	1,047,467,808
TOTAL SHAREHOLDERS' EQUITY		2,399,445,857	2,425,746,122
MINORITY INTERESTS		17,436,154	27,247,117
TOTAL EQUITY		2,416,882,011	2,452,993,239
TOTAL LIABILITIES AND EQUITY		6,769,624,864	5,015,917,537

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 March 2015

	Note	2015 SR	2014 SR
Sales		6,898,673,324	5,482,386,435
Direct costs		(5,111,496,492)	(4,084,411,294)
GROSS PROFIT		1,787,176,832	1,397,975,141
Selling and marketing expenses	20	(301,366,415)	(205,146,809)
General and administrative expenses	21	(351,048,740)	(246,873,655)
Depreciation and amortization		(288,908,161)	(225,756,380)
INCOME FROM MAIN OPERATIONS		845,853,516	720,198,297
Share in earnings of associates	8	31,460,690	13,156,725
Financing charges	13 & 14	(100,107,335)	(50,421,618)
Other income, net	22	54,817,844	130,622,937
INCOME BEFORE ZAKAT AND INCOME TAX AND MINORITY INTERESTS		832,024,715	813,556,341
Zakat and income tax charge, net of deferred tax	16	(19,707,110)	(41,958,330)
INCOME BEFORE MINORITY INTERESTS		812,317,605	771,598,011
Minority interests		(9,366,055)	(244,518)
NET INCOME FOR THE YEAR		802,951,550	771,353,493
EARNINGS PER SHARE:			
Attributable to income from main operations	25	4.03	3.43
Attributable to net income for the year	25	3.82	3.67

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	2015 SR	2014 SR
OPERATING ACTIVITIES		
Income before zakat and income tax and minority interests	832,024,715	813,556,341
Adjustments for:		
Depreciation and amortization	288,908,161	225,756,380
Provision for end-of-service indemnities	19,508,824	16,129,044
Gain on disposal of property and equipment	(321,897)	(211,529)
Share in earnings of associates	(31,460,690)	(13,156,725)
Gain on sale of investment in an associate	-	(10,350,000)
Write-off of property and equipment and other intangible assets	809,813	2,655,884
Gain on sale of investments and brands related business	-	(99,970,548)
	<u>1,109,468,926</u>	<u>934,408,847</u>
Changes in operating assets and liabilities:		
Trade receivables, prepayments and other assets	(123,728,734)	(218,095,266)
Related parties balances	(227,514,520)	164,460,793
Inventories	(480,938,587)	(429,810,415)
Trade accounts payable	20,340,082	145,772,452
Accrued expenses and other payables	13,350,744	168,694,220
Cash from operations	<u>310,977,911</u>	<u>765,430,631</u>
Zakat and income tax paid	(61,479,155)	(11,858,417)
End-of-service indemnities paid	(10,914,199)	(11,901,907)
Net cash from operating activities	<u>238,584,557</u>	<u>741,670,307</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(621,573,655)	(401,542,201)
Other intangible assets	(34,157,116)	(34,272,463)
Acquisition of business (note 12-a)	(378,000,000)	-
Acquisition of a subsidiary, net of cash acquired (note 12-b)	-	17,208,163
Acquisition of minority interest in subsidiaries	(23,182,350)	-
Investments in associates and others	(31,914,713)	(23,685,845)
Proceeds from disposal of property and equipment	861,750	247,198
Net cash used in investing activities	<u>(1,087,966,084)</u>	<u>(442,045,148)</u>
FINANCING ACTIVITIES		
Proceeds from short-term Murabaha financing and loans, net	367,597,907	334,725,368
Proceeds from (repayment of) long-term funding, net	1,485,981,054	(306,002,944)
Dividends paid	(577,500,000)	(367,500,000)
Minority interests	1,307,711	5,992,558
Net cash from (used in) financing activities	<u>1,277,386,672</u>	<u>(332,785,018)</u>
NET INCREASE (DECREASE) IN CASH AND BANK BALANCES	<u>428,005,145</u>	<u>(33,159,859)</u>
Foreign currency translation difference	(249,054,194)	-
Cash and bank balances at the beginning of the year	101,006,685	134,166,544
CASH AND BANK BALANCES AT THE END OF THE YEAR	<u>279,957,636</u>	<u>101,006,685</u>
NON-CASH TRANSACTIONS:		
Increase in share capital through bonus shares (note 17)	<u>1,050,000,000</u>	<u>350,000,000</u>
Receivable against sale of investment in associate (note 8)	-	21,600,000
Receivable against sale of investments and brands related business	-	52,180,000

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

	<i>Attributable to equity holders of the parent</i>				<i>Total shareholders' equity</i> SR	<i>Minority interests</i> SR	<i>Total equity</i> SR
	<i>Share capital</i> SR	<i>Statutory reserve</i> SR	<i>Foreign currency translation reserve</i> SR	<i>Retained earnings</i> SR			
Balance at 31 March 2013	700,000,000	251,142,965	-	1,070,749,664	2,021,892,629	21,010,041	2,042,902,670
Final dividends 2013	-	-	-	(210,000,000)	(210,000,000)	-	(210,000,000)
Transfer to share capital	350,000,000	-	-	(350,000,000)	-	-	-
Net income for the year	-	-	-	771,353,493	771,353,493	244,518	771,598,011
Interim dividends 2014	-	-	-	(157,500,000)	(157,500,000)	-	(157,500,000)
Transfer to statutory reserve (note 18-a)	-	77,135,349	-	(77,135,349)	-	-	-
Movement in minority interests	-	-	-	-	-	5,992,558	5,992,558
Balance at 31 March 2014	1,050,000,000	328,278,314	-	1,047,467,808	2,425,746,122	27,247,117	2,452,993,239
Final dividends 2014 (note 19)	-	-	-	(315,000,000)	(315,000,000)	-	(315,000,000)
Transfer to share capital (note 17)	1,050,000,000	(328,278,314)	-	(721,721,686)	-	-	-
Net income for the year	-	-	-	802,951,550	802,951,550	9,366,055	812,317,605
Interim dividends 2015 (note 19)	-	-	-	(262,500,000)	(262,500,000)	-	(262,500,000)
Transfer to statutory reserve (note 18-a)	-	80,295,155	-	(80,295,155)	-	-	-
Minority interests acquired/disposed in subsidiaries (note 2)	-	-	-	(23,182,350)	(23,182,350)	1,307,711	(21,874,639)
Foreign currency translation loss (note 18-b)	-	-	(228,569,465)	-	(228,569,465)	(20,484,729)	(249,054,194)
Balance at 31 March 2015	2,100,000,000	80,295,155	(228,569,465)	447,720,167	2,399,445,857	17,436,154	2,416,882,011

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2015

1. ORGANIZATION AND ACTIVITIES

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

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

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

2. BASIS OF CONSOLIDATION

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

Subsidiary company	Country of incorporation	Direct and indirect shareholding %	
		2015	2014
Al Waheedah Equipment Co. Ltd. and its subsidiaries (i)	Kingdom of Saudi Arabia	100	100
Haifa B. Al Kalam & Partners International Co. for Trading and its subsidiaries (ii)	Kingdom of Saudi Arabia	100	100
Saudi Retail Co. Ltd.	Kingdom of Saudi Arabia	100	100
Wahba Trading Company Limited and its subsidiaries (iii)	Kingdom of Saudi Arabia	100	100
Kazakhstan Group (iv)	Republic of Kazakhstan	100	85
Al Farida Trading Agencies Company	Kingdom of Saudi Arabia	70	70
Retail Group Egypt	Arab Republic of Egypt	98	98
Retail Group Jordan	Hashemite Kingdom of Jordan	95	95
Nesk Trading Projects Company	Kingdom of Saudi Arabia	100	100
Global Leiva (note 12-b)	Kingdom of Spain	100	100

- (i) Al Waheedah Equipment Co. directly and indirectly owns certain active subsidiaries in Azerbaijan and dormant subsidiaries in United Arab Emirates. During the year, the company disposed 5% stake in Azerbaijan subsidiaries.

Fawaz Abdulaziz Al Hokair & Co. and its subsidiaries
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 March 2015

2. BASIS OF CONSOLIDATION (continued)

- (ii) Haifa B. Al Kalam & Partners directly and indirectly owns certain active subsidiaries in Georgia, Armenia, United States of America, Morocco and Balkan countries, and dormant subsidiaries in United Arab Emirates and British Virgin Islands.
- (iii) Wahba Trading Company Limited directly and indirectly owns certain dormant subsidiaries in Kingdom of Saudi Arabia and United Arab Emirates.
- (iv) Kazakhstan Group represents three entities namely Retail Management Kazakhstan, Fashion Retail Kazakhstan and Global Apparel Kazakhstan. All these entities were 85% directly owned. During the year ended 31 March 2015, the Company has completed the acquisition of the remaining 15% equity interests from the minority shareholders of Kazakhstan Group.

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted by the Company and its subsidiaries in preparing the consolidated financial statements are as follows:

Accounting convention

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

Use of estimates

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

Accounts receivable

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

Inventories

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 March 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in associates

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

Investments in available for sale securities

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

Property and equipment

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

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

Intangible assets

Goodwill

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

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

Other intangible assets

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

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

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

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

31 March 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-current assets

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

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

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

Accounts payable and accruals

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

Provisions

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

Zakat and income tax

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

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

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

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

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

Dividends

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

Fawaz Abdulaziz Al Hokair & Co. and its subsidiaries
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 March 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

End-of-service indemnities

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

Revenue recognition

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

Dividend income is recognized when dividends are declared.

Other income are recognized when earned.

Expenses

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

Leasing

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

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

Foreign currency translation

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

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

Segment reporting

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

4. CASH AND BANK BALANCES

	2015 SR	2014 SR
Cash at banks	259,163,900	90,002,235
Cash in hand	20,793,736	11,004,450
	<u>279,957,636</u>	<u>101,006,685</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 March 2015

5. TRADE RECEIVABLES, PREPAYMENTS AND OTHER ASSETS

	2015 SR	2014 SR
Advances to suppliers	255,572,160	243,283,267
Prepaid rent	253,824,522	180,788,349
Trade receivables	101,198,196	-
Receivable against sale of investments	64,444,148	97,645,549
Security deposits	46,700,596	37,003,481
Employee receivables	32,992,605	19,941,465
Advance for investments	32,550,022	43,403,611
Margin compensation receivable	24,525,320	25,120,995
Receivable against sale of brands	24,027,286	36,917,847
Deferred tax asset (note 16)	19,240,228	-
Margin on letters of credit and guarantee	12,430,392	13,567,678
Receivable from Saudi Development Fund	6,679,830	18,730,213
Receivable against credit cards sales	5,936,986	11,567,374
Others	2,211,299	11,394,799
	<u>882,333,590</u>	<u>739,364,628</u>

6. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Company and its subsidiaries transacted with related parties. The terms of those transactions are approved by management in the ordinary course of business. The significant transactions and the related amounts are as follows:

Transactions:

	2015 SR	2014 SR
Rental payments including advances	447,405,775	239,797,261
Key management personnel salaries and benefits	19,808,022	20,459,988
Shop fits, design and construction works	134,794,696	116,943,896
Payments made on behalf of an associate	3,248,000	7,887,393
Board of Directors' and board committees remuneration and compensation	1,941,000	1,400,000
Printing and advertisement	12,316,946	12,871,246
Sales	-	6,699,557

Amounts due from related parties as at 31 March 2015 consist of the following:

<i>Related parties</i>	<i>Nature of transactions</i>	<i>Relationship</i>	2015 SR	2014 SR
Arabian Centers Company	Rental	Affiliate	216,332,705	44,012,102
FG 4 Limited	Expense paid on behalf	Associate	17,789,391	14,541,391
International Shop Fittings Limited	Shop fits and designs	Associate	15,281,683	-
Egyptian Centers for Real Estate Development	Rental	Affiliate	14,303,025	28,745,574
Fawaz Abdulaziz Al Hokair Real Estate Co.	Construction work	Affiliate	12,551,104	-
Burberry Saudi Co. Ltd.	Services and payments	Associate	5,470,596	4,028,078
Retail Group Lebanon	Sales	Affiliate	-	46,400,879
			<u>281,728,504</u>	<u>137,728,024</u>

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6. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Amounts due to related parties as at 31 March 2015 consist of the following:

<i>Related parties</i>	<i>Nature of transactions</i>	<i>Relationship</i>	2015 SR	2014 SR
Fawaz Abdulaziz Al Hokair Real Estate Co.	Construction work	Affiliate	-	81,006,107
Hajen Company Limited	Printing and advertisement	Affiliate	1,168,221	3,676,154
			<u>1,168,221</u>	<u>84,682,261</u>

7. INVENTORIES

	2015 SR	2014 SR
Goods available for sale	1,971,402,302	1,467,581,674
Goods in transit	95,052,422	79,650,482
Provision for inventory shortages	(102,583,657)	(69,999,870)
	<u>1,963,871,067</u>	<u>1,477,232,286</u>
Supplies	76,838,370	82,767,647
Provision for slow-moving supplies	(24,444,187)	(25,806,983)
	<u>2,016,265,250</u>	<u>1,534,192,950</u>

8. INVESTMENTS IN ASSOCIATES AND OTHERS

	<i>Ownership %</i>	<i>Country of incorporation</i>	2015 SR	2014 SR
Associates:				
International Shop Fittings Limited (i)	51.0	United Arab Emirates	37,892,944	24,245,420
Amwal Al Khaleejia Al Oula (ii)	25.0	Kingdom of Saudi Arabia	37,415,000	-
Investate Reality BSC	13.9	Kingdom of Bahrain	32,841,863	23,442,697
Burberry Saudi Co. Ltd. (iii)	25.0	Kingdom of Saudi Arabia	27,376,288	24,352,288
FG 4 Limited	50.0	United Arab Emirates	187,780	187,780
			<u>135,713,875</u>	<u>72,228,185</u>
Others:				
Trade Center Co. Ltd.	9.3	Kingdom of Saudi Arabia	94,000,000	94,000,000
Galleria Mall (iv)	16.7	Kingdom of Saudi Arabia	79,252,274	84,252,274
Other investments			9,500,901	9,611,188
			<u>182,753,175</u>	<u>187,863,462</u>
			<u>318,467,050</u>	<u>260,091,647</u>

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

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

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8. INVESTMENTS IN ASSOCIATES AND OTHERS (continued)

- (i) During the year ended 31 March 2014, the Company participated in establishing International Shop Fittings Limited, a limited liability company registered in United Arab Emirates. The objective of the entity is to design, manufacture and sell store shop fits and decorations. The Company does not exerts effective control over the operating and financial policies of the entity, accordingly the investment has been accounted for as an associate.
- (ii) During the year ended 31 March 2015, one of the Company's subsidiary acquired 25% equity interest in Amwal Al Khaleejia Al Oula, a limited liability company registered in the Kingdom of Saudi Arabia. The entity has been established for the sole purpose of investing in and holding shares in United Trading and Marketing Company Limited (U-Mark), a Saudi closed joint stock company.
- (iii) During the year ended 31 March 2014, the Company sold 15% of its investment in Burberry Saudi Co. Ltd. for an amount of SR 21.6 million.
- (iv) Investment in Galleria Mall represents the Company's share in a Musharaka venture. The venture is for the construction and management of a mall and a hotel. The investment is amortized over the period of 19 years being the legal term life of the investment.

Following is the movement in the investment in Galleria Mall:

	2015 SR	2014 SR
<i>Cost</i>		
At the beginning and end of the year	<u>104,252,274</u>	<u>104,252,274</u>
<i>Accumulated amortization</i>		
At the beginning of the year	20,000,000	15,000,000
Charge for the year	<u>5,000,000</u>	<u>5,000,000</u>
At the end of the year	<u>25,000,000</u>	<u>20,000,000</u>
<i>Net book value</i>	<u><u>79,252,274</u></u>	<u><u>84,252,274</u></u>

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9. PROPERTY AND EQUIPMENT

	<i>Land</i> SR	<i>Buildings and leasehold improvements</i> SR	<i>Furniture and office equipment</i> SR	<i>Motor vehicles</i> SR	<i>Capital work in progress</i> SR	<i>Total 2015</i> SR	<i>Total 2014</i> SR
Cost							
At the beginning of the year	68,991,690	2,108,664,760	381,016,931	15,438,478	97,580,766	2,671,692,625	2,180,717,648
Additions	-	399,116,736	138,630,264	985,000	82,841,655	621,573,655	401,542,201
Related to acquired business (note 12-a)	-	57,357,674	-	-	-	57,357,674	96,663,792
Transfers	-	76,786,885	1,624,174	-	(78,411,059)	-	-
Disposals / write-off	-	(476,095)	(393,257)	(1,971,666)	-	(2,841,018)	(7,231,016)
At the end of the year	68,991,690	2,641,449,960	520,878,112	14,451,812	102,011,362	3,347,782,936	2,671,692,625
Accumulated depreciation							
At the beginning of the year	-	856,766,118	160,682,012	13,243,825	-	1,030,691,955	831,064,217
Charge for the year	-	228,706,853	41,709,355	1,272,414	-	271,688,622	204,167,201
Disposals / write-off	-	(80,215)	(59,519)	(1,431,813)	-	(1,571,547)	(4,539,463)
At the end of the year	-	1,085,392,756	202,331,848	13,084,426	-	1,300,809,030	1,030,691,955
Net book value							
At 31 March 2015	68,991,690	1,556,057,204	318,546,264	1,367,386	102,011,362	2,046,973,906	
At 31 March 2014	68,991,690	1,251,898,642	220,334,919	2,194,653	97,580,766		1,641,000,670

Land includes certain plots amounting to SR 16 million (2014: SR 16 million) owned by an affiliate. The transfer of the title deed of these plots of land to the Company was in process as at 31 March 2015.

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10. INTANGIBLE ASSETS - GOODWILL

	2015 SR	2014 SR
Nesk Projects Trading Company (a)	417,796,779	417,796,779
Business acquisition – Mango brand (note 12-a)	319,508,613	-
Wahba Trading Company Limited (b)	61,437,764	61,437,764
	<u>798,743,156</u>	<u>479,234,543</u>

- a) On 26 September 2012, the Company completed the acquisition process of Nesk Trading Projects Company, a limited liability company registered in the Kingdom of Saudi Arabia, and operates fashion retail stores all over the Kingdom with franchise rights of a number of international fashion brands including Stradivarius, Mango, Okaidi, Women' Secret, Gerry Weber and Ikks.

The Company acquired an effective 100% equity interest in Nesk Trading Projects Company through a tender offer by the Company for cash in an aggregate amount of SR 730 million having net acquisition cost of SR 661.2 million after deducting net cash acquired amounting to SR 68.8 million. The acquisition was financed through internal funding of SR 13 million and the balance was arranged through Murabaha financing (note 14).

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

- b) During April 2009, the Company acquired 100% equity ownership in Wahba Trading Company Limited. At the date of acquisition the fair value of net assets of the subsidiary was SR 118.6 million and the cost of acquisition was SR 180 million accordingly a goodwill amounting to SR 61,437,764 arose at acquisition of this subsidiary.

Goodwill impairment test

Goodwill is tested annually for impairment by management in the fourth quarter of the financial year. For the year ended 31 March 2015, the management has determined that goodwill carrying amounts are less than their recoverable amounts. Recoverable amounts were determined on the basis of value-in-use calculation. This calculation uses cash flow projections for five years based on financial budgets approved by management. Cash flows beyond the budgets are extrapolated using the estimated growth rate for Wahba Trading Company Limited and Nesk Projects Trading Company of 2% and 2.5% respectively. In management's opinion, the growth rate assumptions do not exceed the long-term average growth rates for fashion retail business in which the companies operate. Key assumptions for the value-in-use calculation are set out below.

	<i>Wahba Trading Company Limited</i>	<i>Nesk Projects Trading Company</i>
	%	%
Discount rate	8	8
Budgeted gross margins	49	46
Average annual growth rate for sale	2	2.5
Terminal growth rate	2	2.5

The discount rates used are pre-zakat and reflect specific risks relating to the subsidiaries. Management has determined the budgeted gross margins based on past performance and its expectations for the market development.

Sensitivity to changes in assumptions

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

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11. OTHER INTANGIBLE ASSETS

	<i>Software implementation cost SR</i>	<i>Key money SR</i>	<i>Deferred charges SR</i>	<i>Trademarks SR</i>	<i>Total 2015 SR</i>	<i>Total 2014 SR</i>
Cost						
At the beginning of the year	35,221,948	80,710,593	51,849,593	25,070,436	192,852,570	173,923,435
Additions	-	33,540,493	616,623	-	34,157,116	34,272,463
Related to acquired subsidiary (note 12-b)	-	-	-	-	-	6,371,101
Write-off	-	(124,173)	-	-	(124,173)	(21,714,429)
At the end of the year	<u>35,221,948</u>	<u>114,126,913</u>	<u>52,466,216</u>	<u>25,070,436</u>	<u>226,885,513</u>	<u>192,852,570</u>
Accumulated amortization						
At the beginning of the year	7,062,361	38,537,643	23,954,176	-	69,554,180	74,679,430
Amortization	1,409,263	6,756,503	4,053,773	-	12,219,539	16,589,179
Write-off	-	(43,978)	-	-	(43,978)	(21,714,429)
At the end of the year	<u>8,471,624</u>	<u>45,250,168</u>	<u>28,007,949</u>	<u>-</u>	<u>81,729,741</u>	<u>69,554,180</u>
Net book value						
31 March 2015	<u><u>26,750,324</u></u>	<u><u>68,876,745</u></u>	<u><u>24,458,267</u></u>	<u><u>25,070,436</u></u>	<u><u>145,155,772</u></u>	
31 March 2014	<u><u>28,159,587</u></u>	<u><u>42,172,950</u></u>	<u><u>27,895,417</u></u>	<u><u>25,070,436</u></u>		<u><u>123,298,390</u></u>

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12. ACQUISITION OF BUSINESS

- a) On 20 Dhul-Qadah 1435H (corresponding to 15 September 2014), the Company signed an agreement with Danah Group Trading Establishment, a sole proprietorship registered in the Kingdom of Saudi Arabia to acquire the business of fashion retail and franchise rights of the international fashion brand "Mango" in the Kingdom of Saudi Arabia.

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

The related business acquisition has been accounted for using the purchase method of accounting, and accordingly, the consideration paid has been allocated based on the fair values of the assets acquired. The excess of the consideration paid over the fair value of the assets acquired has been allocated to goodwill (note 10).

The purchase price paid has been allocated to the assets based on provisional estimated fair values of the assets acquired, as determined by both parties. The final allocation of the purchase price will be determined within time-frame of 12 months period allowed under the accounting standards generally accepted in the Kingdom of Saudi Arabia. The provisional estimated fair values of the identifiable assets as at the date of acquisition are as follows:

	<i>31 July 2014</i>
	SR
ASSETS	
Inventories	1,133,713
Property and equipment	57,357,674
Total assets	<u>58,491,387</u>
Assets acquired	58,491,387
Goodwill arising on acquisition (note 10)	319,508,613
Cost of acquisition	<u><u>378,000,000</u></u>

- b) During the quarter ended 31 December 2013, the Company signed an agreement with Blanco - a Spain based group of fashion retailers, to purchase the commercial brands Blanco, Suite Blanco, Blanco Accessories and Blanco Stock.

On 7 February 2014, the Company acquired Blanco businesses through wholly owned subsidiaries namely Global Leiva and Far East Fashion Trading Limited registered in Spain and United Arab Emirates, respectively for a purchase price of Euro 11.7 million (equivalent to SR 59.3 million). The acquisition has been accounted for using the purchase method of accounting, and accordingly, the purchase consideration has been allocated based on the fair values of the assets acquired and liabilities assumed as determined by an independent evaluator.

13. SHORT-TERM MURABAHA FINANCING AND LOANS

The Company has short-term Murabaha facilities with local and foreign commercial banks amounting to SR 1,477 million (31 March 2014: SR 647.5 million). As at 31 March 2015, the outstanding balance of these facilities was SR 833.3 million (31 March 2014: SR 465.7 million). The facilities are secured by promissory notes by the Company.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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14. LONG-TERM FUNDING

a) *Murabaha financing*

The Company has signed a long-term Murabaha financing agreement with International Finance Corporation (“IFC”), a member of World Bank Group, amounting to USD 50 million (SR 187.5 million) on 1 October 2011. During the year ended 31 March 2013, the Company agreed with IFC to increase the Murabaha facility amount by USD 25 million (SR 93.75 million). As per the agreement, the term of the Murabaha facility is for a period of five and half years. The Murabaha facility is repayable in equal semi-annual installments commencing after the two years from the date of the first disbursement. The Company has fully utilized this facility. The Murabaha facility carries markup at LIBOR plus agreed margin per annum. The outstanding balance as at 31 March 2015 was SR 174.5 million (31 March 2014: SR 246.1 million).

In connection with the acquisition of Nesk Trading Projects Company (note 10-a), a debt of SR 717 million was raised. The debt comprises a long-term syndicated Murabaha financing from SAMBA Financial Group, Gulf International Bank and Saudi Hollandi Bank. As per the syndicated facility agreement, the term of the Murabaha facility is for a period of 5 years. The Murabaha facility is repayable in equal 8 installments commencing on March 2014 and ending on October 2017. As at 31 March 2015 the related facility was settled in full in accordance with latest Master Murahaba Facility Agreement signed on 4 June 2014.

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

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

The above Murabaha facilities are disclosed net of related unamortized upfront fees (including commitment fees) amounting to SR 29.3 million as at 31 March 2015 (31 March 2014: SR 11.8 million).

b) *Sukuk*

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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15. ACCRUED EXPENSES AND OTHER PAYABLES

	2015 SR	2014 SR
Payable to contractors and others	187,765,419	180,495,325
Rent payable	120,643,580	107,050,485
Employees' salaries and benefits	70,636,434	83,198,430
Provision for zakat and income tax (note 16)	57,508,131	82,619,210
Royalty payable	22,003,956	18,248,043
Finance cost payable	18,800,634	6,661,734
Accrued consignment	12,268,528	10,226,721
Government duties	8,860,379	19,190,211
Others	11,496,664	11,474,639
	<u>509,983,725</u>	<u>519,164,798</u>

16. ZAKAT AND INCOME TAX

Charge for the year:

The charge for the year for zakat and income tax is as follows:

	2015 SR	2014 SR
Zakat provision for the year	29,993,797	27,051,387
Income tax provision for the year	8,953,541	14,906,943
Deferred taxation	(19,240,228)	-
	<u>19,707,110</u>	<u>41,958,330</u>

The zakat provision represents the zakat charged in the financial statement of the Company and its subsidiaries which are subject to zakat. Zakat is charged at the higher of net income subject to zakat or the zakat base in accordance with regulation of the Department of Zakat and Income Tax ("DZIT").

Movement in provision for zakat and income tax

<i>At 31 March 2015</i>	<i>Zakat</i>			<i>Income</i>	<i>Total</i>
	<i>SR</i>			<i>tax</i>	<i>SR</i>
	<i>Company</i>	<i>Subsidiaries</i>	<i>Sub total</i>	<i>SR</i>	<i>SR</i>
Balance at beginning of the year	27,861,415	46,253,148	74,114,563	8,504,647	82,619,210
Provision for the year	25,266,769	4,727,028	29,993,797	8,953,541	38,947,338
Transferred from local subsidiaries	43,067,447	(43,067,447)	-	-	-
Payment during the year	(43,048,823)	(4,304,873)	(47,353,696)	(14,125,459)	(61,479,155)
Prior year adjustment	-	(2,579,262)	(2,579,262)	-	(2,579,262)
Balance at end of the year	<u>53,146,808</u>	<u>1,028,594</u>	<u>54,175,402</u>	<u>3,332,729</u>	<u>57,508,131</u>

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16. ZAKAT AND INCOME TAX (continued)

Movement in provision for zakat and income tax (continued)

At 31 March 2014	Zakat			Income	Total
	Company	Subsidiaries	Sub total	tax	SR
				SR	SR
Balance at beginning of the year	9,524,219	41,297,229	50,821,448	1,697,849	52,519,297
Provision for the year	13,936,424	13,114,963	27,051,387	14,906,943	41,958,330
Transferred from local subsidiaries	4,403,272	(4,403,272)	-	-	-
Payment during the year	(2,500)	(3,755,772)	(3,758,272)	(8,100,145)	(11,858,417)
Balance at end of the year	27,861,415	46,253,148	74,114,563	8,504,647	82,619,210

Status of assessments

Zakat status of the Company and its local subsidiaries

The Company has filed its zakat returns with DZIT for all years up to the year ended 31 March 2014 and received the zakat certificate. The zakat returns for the years from 31 March 2008 to 31 March 2014 are under review of DZIT.

During the year ended 31 March 2012, the Company received zakat assessment for the years ended 31 March 2002 to 2007, which showed additional claims from DZIT amounting to SR 10 million. The Company has objected on certain items amounted to SR 4 million and accordingly submitted a letter of guarantee for the objected amount and received the final zakat certificate for the said years. The Company filed an appeal against the remaining amount of SR 6 million which is under process as at 31 March 2015.

Income tax status of foreign subsidiaries

The income tax returns have been filed by the relevant tax authorities for all years up to the year ended 31 March 2014 for the subsidiaries in 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 2013. 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 2014. The income tax returns are under review by the relevant tax authorities. For the subsidiary in Spain, the income tax returns have been filed for the year ended 31 December 2013.

Deferred tax

During the year, Global Leiva, a subsidiary, has recorded deferred tax asset amounting to SR 19.2 million (31 March 2014: SR nil). Deferred tax asset has been recognized in respect of the Global Leiva's tax losses carried forward that are available for offsetting against future taxable profits. As per Global Leiva's business plans, forecasts and budgets, it will be generating enough taxable profit to offset the recognized deferred tax assets.

17. SHARE CAPITAL

On 17 Ramadan 1435H (corresponding to 14 July 2014), the general assembly of shareholders has approved an increase in the share capital of the Company from SR 1,050 million to SR 2,100 million through distribution of one bonus share for every one share held through capitalization of retained earnings amounting to SR 721,721,686 and statutory reserve amounting to SR 328,278,314. All the legal formalities required to enforce the increase in the share capital were completed during the year ended 31 March 2015. Accordingly, the Company's share capital at 31 March 2015 amounted to SR 2,100 million (31 March 2014: SR 1,050 million) consisting of 210 million shares (31 March 2014: 105 million shares) of SR 10 each fully paid and issued.

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18. RESERVES

a) Statutory reserve:

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

b) Foreign currency translation reserve:

During the fourth quarter of the year ended 31 March 2015, the Company has recorded exchange translation difference aggregating to SR 217.4 million in respect of receivables from foreign subsidiaries, mainly Commonwealth of Independent States (CIS Countries), Spain and Egypt. Such receivables are part of the Company's net investment in these subsidiaries. Settlement for such receivables is not planned and it is unlikely to occur in the foreseeable future.

In addition to above, the Company has recorded exchange translation difference amounting to SR 11.1 million arising on the Company's net investment in foreign operations.

19. DIVIDENDS

On 17 Ramadan 1435H (corresponding to 14 July 2014), the general assembly of shareholders has approved to distribute cash dividends of SR 3 per share totaling SR 315 million for the six months ended 31 March 2014 representing 30% of Company's share capital before the increase of the capital.

On 25 Dhul-Hijjah 1435H (corresponding to 19 October 2014), the Board of Directors recommended to distribute interim cash dividends of SR 262.5 million (SR 1.25 per share) for the six months period ended 30 September 2014.

20. SELLING AND MARKETING EXPENSES

	2015 SR	2014 SR
Employees' salaries and benefits	160,617,303	113,877,615
Rent	45,649,705	17,637,114
Advertising and promotions	41,977,262	34,853,756
Travel	16,288,532	13,449,401
Freight and distribution charges	10,985,872	7,115,321
Utilities and maintenance	10,003,919	6,097,958
Bank charges	3,035,425	2,018,630
Others	12,808,397	10,097,014
	301,366,415	205,146,809

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21. GENERAL AND ADMINISTRATIVE EXPENSES

	2015 SR	2014 SR
Employees' salaries and related benefits	206,362,231	151,034,313
Rent	59,185,511	32,509,746
Bank charges	21,692,527	15,580,390
Travel	17,002,707	10,338,864
Utilities and maintenance	15,415,785	10,258,059
Insurance	6,164,477	4,606,316
Provision for slow-moving supplies	4,808,265	10,977,520
Stationary and supplies	4,085,050	1,347,987
Professional fees	2,768,863	1,312,291
Government fees and related charges	2,566,723	1,071,315
Others	10,996,601	7,836,854
	<u>351,048,740</u>	<u>246,873,655</u>

22. OTHER INCOME, NET

	2015 SR	2014 SR
Key money income	30,297,917	-
Dividend income	12,700,003	8,000,000
Gain on sale of investments and brands related business	8,453,895	48,969,857
Gain from sale of investment	-	70,254,840
Miscellaneous	3,366,029	3,398,240
	<u>54,817,844</u>	<u>130,622,937</u>

23. SUBSEQUENT EVENTS

The Board of Directors in their meeting held on 7 Rajab 1436H (corresponding to 26 April 2015) recommended to distribute cash dividends of SR 1 per share totaling SR 210 million for the six months ended 31 March 2015 representing 10% of Company's share capital.

The above recommendation is subject to the General Assembly of shareholders approval.

24. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	2015 SR	2014 SR
Letters of credit and guarantee	1,000,993,132	839,659,745
Capital commitments-property and equipment	<u>234,562,872</u>	<u>194,862,128</u>

25. EARNINGS PER SHARE

Earnings per share attributable to income from main operations and net income was calculated by dividing income from main operations and net income for the year by the number of outstanding ordinary shares during the year amounting to 210 million shares. The number of shares used in the calculation of earnings per share for the prior year have been retrospectively adjusted to reflect the effect of the bonus share issue in the current year.

**Fawaz Abdulaziz Al Hokair & Co. and its subsidiaries
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 March 2015

26. SEGMENT INFORMATION

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

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

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

	<i>Domestic</i>	<i>International</i>	<i>Intersegment elimination</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<u>As at and for the year ended 31 March 2015</u>				
Total assets	5,447,778	1,892,769	(570,922)	6,769,625
Total liabilities	3,855,705	2,255,084	(1,758,046)	4,352,743
Sales	5,232,023	1,783,168	(116,518)	6,898,673
<u>As at and for the year ended 31 March 2014</u>				
Total assets	4,810,511	1,501,350	(1,295,943)	5,015,918
Total liabilities	2,318,077	1,531,057	(1,286,210)	2,562,924
Sales	4,428,369	1,054,017	-	5,482,386

27. FAIR VALUE

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Company and its subsidiaries financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Company and its subsidiaries financial assets and liabilities are not materially different from their carrying values.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the balance sheet principally include cash and bank balances, related parties, prepayments, other assets, trade payables, accruals and other liabilities.

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Company and its subsidiaries have no significant concentration of credit risk. Cash is substantially placed with local banks with sound credit ratings. Accounts receivable and other assets are carried net of provision for doubtful debts, if any.

Commission rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company and its subsidiaries' financial position and cash flows. The Company and its subsidiaries monitor the fluctuations in commission rates and believe that the effect of the commission rate risk is not material.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company and its subsidiaries' 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.

Liquidity risk is the risk that the Company and its subsidiaries will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity is managed periodically by ensuring its availability in amounts sufficient to meet any future commitments. The management believes that the Company and its subsidiaries are not exposed to significant risks in relation to liquidity.

**Fawaz Abdulaziz Al Hokair & Co. and its subsidiaries
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 March 2015

29. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 21 Rajab 1436H (corresponding to 10 May 2015).

30. COMPARATIVE FIGURES

In addition to the restatement mentioned in note 25 above, certain figures for the prior year have been reclassified to conform with the presentation in the current year.