

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

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

FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2012

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2012

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

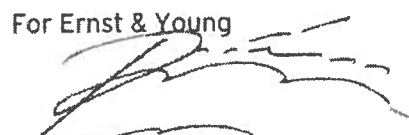
SCOPE OF REVIEW

We have reviewed the accompanying interim consolidated balance sheet of Fawaz Abdulaziz Al Hokair & Co.- A Saudi Joint Stock Company ("the Company") and its subsidiaries ("the Group") as at 30 September 2012, and the related interim consolidated statement of income for the three-month and six-month periods ended 30 September 2012 and cash flows for the six-month period then ended. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

CONCLUSION

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

For Ernst & Young


Rashid S. AlRashoud
Certified Public Accountant
Registration No. 366



Riyadh: 29 Dhul-Qadah 1433H
15 October 2012

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

INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)
AS AT 30 SEPTEMBER 2012

	Note	30 September 2012 SR	30 September 2011 SR
ASSETS			
CURRENT ASSETS			
Cash and bank balances		205,979,685	85,774,509
Prepayments, due from related parties and other receivables	5	625,574,780	505,310,865
Inventories		961,280,636	754,701,691
TOTAL CURRENT ASSETS		1,792,835,101	1,345,787,065
NON-CURRENT ASSETS			
Investments in associates and others	6	244,647,635	252,422,093
Property and equipment		1,176,967,129	687,025,884
Intangible assets - goodwill	7	472,709,044	61,437,764
Other intangible assets		93,240,041	79,632,458
TOTAL NON-CURRENT ASSETS		1,987,563,849	1,080,518,199
TOTAL ASSETS		3,780,398,950	2,426,305,264
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term murabaha financing and loans	8	178,823,664	87,236,362
Current portion of murabaha financing and term loans	8	100,000,000	100,000,000
Trade accounts payable		312,604,371	300,572,140
Accrued expenses and other payables		562,585,359	308,218,959
TOTAL CURRENT LIABILITIES		1,154,013,394	796,027,461
NON-CURRENT LIABILITIES			
Murabaha financing and term loans	8	763,318,453	175,000,000
End-of-service indemnities		64,067,015	46,439,244
TOTAL NON-CURRENT LIABILITIES		827,385,468	221,439,244
TOTAL LIABILITIES		1,981,398,862	1,017,466,705
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	1	700,000,000	700,000,000
Statutory reserve		189,173,723	144,435,623
Retained earnings		886,359,158	533,959,220
TOTAL SHAREHOLDERS' EQUITY		1,775,532,881	1,378,394,843
MINORITY INTERESTS		23,467,207	30,443,716
TOTAL EQUITY		1,799,000,088	1,408,838,559
TOTAL LIABILITIES AND EQUITY		3,780,398,950	2,426,305,264

The attached notes 1 to 13 form an integral part of these interim consolidated financial statements

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

INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)

For the three-month and six-month periods ended 30 September 2012

	Note	<u>For the three-month period ended</u> 30 September 2012 SR	<u>30 September</u> 2011 SR	<u>For the six-month period ended</u> 30 September 2012 SR	<u>30 September</u> 2011 SR
Sales		1,383,288,636	1,008,543,141	2,248,565,338	1,733,213,635
Direct costs	13	(1,002,122,452)	(716,342,054)	(1,631,331,810)	(1,263,445,675)
GROSS PROFIT		381,166,184	292,201,087	617,233,528	469,767,960
Selling and marketing expenses	13	(55,091,176)	(39,009,430)	(103,666,503)	(68,917,102)
General and administrative expenses		(27,363,630)	(21,151,653)	(62,768,724)	(50,744,522)
Depreciation and amortization		(41,450,996)	(25,867,776)	(75,722,553)	(54,598,241)
INCOME FROM MAIN OPERATIONS		257,260,382	206,172,228	375,075,748	295,508,095
Financing charges		(3,924,101)	(2,481,335)	(9,222,382)	(7,015,956)
Other income, net		8,856,982	7,621,229	25,394,604	12,729,689
INCOME BEFORE ZAKAT AND INCOME TAX AND MINORITY INTERESTS		262,193,263	211,312,122	391,247,970	301,221,828
Zakat and income tax	9	(10,718,197)	(7,741,837)	(18,385,692)	(14,616,027)
INCOME BEFORE MINORITY INTERESTS		251,475,066	203,570,285	372,862,278	286,605,801
Minority interests		962,035	(1,684,164)	470,390	(3,030,171)
NET INCOME FOR THE PERIOD		252,437,101	201,886,121	373,332,668	283,575,630
EARNINGS PER SHARE					
Attributable to income from main operations	10	3.68	2.95	5.36	4.22
Attributable to net income for the period	10	3.61	2.88	5.33	4.05

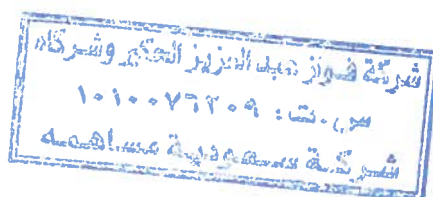
شركة فواز عبد العزيز الحكير وشركاه
م.ت: ١٠١٠٠٧٦٢٠٩
شركة مساهمة

The attached notes 1 to 13 form an integral part of these interim consolidated financial statements

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
For the six-month period ended 30 September 2012

	2012 SR	2011 SR
OPERATING ACTIVITIES		
Income before zakat and income tax and minority interests	391,247,970	301,221,828
Adjustments for:		
Depreciation and amortization	75,722,553	54,598,241
Provision for end-of-service indemnities	9,701,541	5,627,222
Property and equipment written off	4,032,113	-
Share in (earnings) losses of associates, net	(953,088)	744,800
	479,751,089	362,192,591
Changes in operating assets and liabilities:		
Prepayments, due from related parties and other receivables	(155,206,081)	(16,618,054)
Inventories	(136,410,529)	(186,930,212)
Trade accounts payable	28,021,719	46,043,277
Accrued expenses and other payables	40,653,203	(26,898,864)
	256,809,401	177,788,738
Cash from operations	256,809,401	177,788,738
Zakat paid	(18,618,975)	(10,000,000)
End-of-service indemnities paid	(1,234,362)	(998,683)
	236,956,064	166,790,055
Net cash from operating activities	236,956,064	166,790,055
INVESTING ACTIVITIES		
Acquisition of a subsidiary (Note 7)	(477,293,868)	-
Investments in associates and others	(1,503,288)	(36,660,029)
Purchase of property and equipment	(238,760,037)	(121,154,118)
Other intangible assets	(15,347,183)	(3,265,613)
	(732,904,376)	(161,079,760)
Net cash used in investing activities	(732,904,376)	(161,079,760)
FINANCING ACTIVITIES		
Proceeds from (repayments of) murabaha financing and loans, net	502,940,321	(23,666,308)
Minority interests	940,780	(3,594,687)
	503,881,101	(27,260,995)
Net cash from (used in) financing activities	503,881,101	(27,260,995)
Net increase (decrease) in cash and bank balances	7,932,789	(21,550,700)
Cash and bank balances at the beginning of the period	198,046,896	107,325,209
CASH AND BANK BALANCES AT THE END OF THE PERIOD	205,979,685	85,774,509
NON-CASH TRANSACTIONS:		
Balance payable against acquisition of a subsidiary (Note 7)	188,000,000	-



The attached notes 1 to 13 form an integral part of these interim consolidated financial statements

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
30 September 2012

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 Company's share capital amounted to SR 700 million divided into 70 million shares of SR 10 each.

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.

2. BASIS OF CONSOLIDATION

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

Subsidiary company	Country of incorporation	Direct and indirect shareholding %	
		2012	2011
Al Waheedah Equipment Co. Ltd.	Kingdom of Saudi Arabia	100	100
Haifa B. Al Kalam & Partners International 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
Kazakhstan Group (i)	Republic of Kazakhstan	85	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
Retail Group of America LLC	United States of America	100	100
Retail Group Azerbaijan (ii)	Republic of Azerbaijan	90	-
Retail Group Georgia (iii)	Georgia	80	-
Nesk Group for Trading Projects (Note 7)	Kingdom of Saudi Arabia	100	-

- (i) Kazakhstan Group represents three entities namely Retail Management Kazakhstan, Fashion Retail Kazakhstan and Global Apparel Kazakhstan. All these entities are 85% directly owned.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
30 September 2012

2. BASIS OF CONSOLIDATION (continued)

- (ii) During the year ended 31 March 2012, the Company established nine companies collectively known as Retail Group Azerbaijan, and are 90% indirectly owned entities.
- (iii) During the quarter ended 30 June 2012, the Company finalized the establishment of nine companies collectively known as Retail Group Georgia, and are 80% indirectly owned entities.

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 subsidiaries are prepared using accounting policies which are consistent with those of the Company. The subsidiaries 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 subsidiaries is identified separately from the Company's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in subsidiary's equity are allocated against the interest of the Company except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements have been prepared in accordance with the Standard of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. The significant accounting policies adopted by the Company and its subsidiaries in preparing the interim consolidated financial statements, summarized below, are in conformity with those described in the annual audited consolidated financial statements for the year ended 31 March 2012. The interim consolidated financial statements and the accompanying notes should be read in conjunction with the annual audited consolidated financial statements and the related notes for the year ended 31 March 2012.

Accounting convention

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

Use of estimates

The preparation of interim consolidated financial statements in conformity with generally accepted accounting standards requires use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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 estimate.

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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
30 September 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in associates

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

Investments in available for sale securities

Investments in available for sale securities are stated at fair value and included under non-current assets in the interim consolidated balance sheet. Unrealized gains or losses are included in the interim statement of changes in equity until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is included in the interim consolidated statement of income for the period. Fair value is determined based on the market value if an open market exists; 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 the principal classes of assets are as follows:

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

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.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
30 September 2012

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 estimates the recoverable amount of the cash generating unit to which that asset belongs.

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

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

Accounts payable and accrued expenses

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

Provisions

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

Zakat and income tax

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

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

Dividends

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

End-of-service indemnities

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

Revenue recognition

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

Dividend income is recognized when dividends are declared.

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.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
30 September 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

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

Foreign currency translation

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

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

Segment reporting

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

4. INTERIM RESULTS

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

5. PREPAYMENTS, DUE FROM RELATED PARTIES AND OTHER RECEIVABLES

Prepayments, due from related parties and other receivables include advances made to affiliated companies for the construction and rental of outlets amounting to SR 12 million and SR 81.3 million, respectively (2011: SR 50 million and SR 136 million, respectively).

Such transactions are approved by management in the ordinary course of business.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
30 September 2012

6. INVESTMENTS IN ASSOCIATES AND OTHERS

			Balance at	
			30 September 2012 SR (Unaudited)	30 September 2011 SR (Unaudited)
	Ownership %	Country of incorporation		
Associates:				
Burberry Saudi Co. Ltd.	40.0	Kingdom of Saudi Arabia	32,208,288	31,255,200
Investate Reality BSC	13.9	Kingdom of Bahrain	22,472,000	22,472,000
FG 4 Limited	50.0	United Arab Emirates	187,780	187,780
			<u>54,868,068</u>	<u>53,914,980</u>
Others:				
Galleria Mall (*)	16.67	Kingdom of Saudi Arabia	91,752,274	96,752,274
Trade Center Co. Ltd.	9.32	Kingdom of Saudi Arabia	94,000,000	94,000,000
Other investments			4,027,293	7,754,839
			<u>189,779,567</u>	<u>198,507,113</u>
			<u>244,647,635</u>	<u>252,422,093</u>

Movement in investment in associates during the period ended 30 September 2012 is as follows:

	Balance at 31 March 2012 SR (Audited)	Share in earnings SR (Unaudited)	Balance at 30 September 2012 SR (Unaudited)
Burberry Saudi Co. Ltd.	31,255,200	953,088	32,208,288
Investate Reality BSC	22,472,000	-	22,472,000
FG 4 Limited	187,780	-	187,780
	<u>53,914,980</u>	<u>953,088</u>	<u>54,868,068</u>

- (*) Investment in Gallery 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 Gallery Mall for the period ended:

	30 September 2012 SR (Unaudited)	30 September 2011 SR (Unaudited)
Cost		
At the beginning and end of the period	<u>104,252,274</u>	<u>104,252,274</u>
Accumulated amortization		
At the beginning of the period	10,000,000	5,000,000
Charge for the period	<u>2,500,000</u>	<u>2,500,000</u>
At the end of the period	<u>12,500,000</u>	<u>7,500,000</u>
Net book value	<u>91,752,274</u>	<u>96,752,274</u>

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
30 September 2012

7. ACQUISITION OF A SUBSIDIARY

On 10 Dhul-Qadah 1433H (corresponding to 26 September 2012), the Company has completed the acquisition process of Nesk Group for Trading Projects, 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.

The Company acquired an effective 100% equity interest in Nesk Group for Trading Projects through a tender offer by the Company for cash in an aggregate amount of SR 730 million. The acquisition was financed through internal funding of SR 13 million and the balance was arranged through Murabaha financing (Note 8).

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

The purchase price paid has been allocated to the assets and liabilities based on provisional estimated fair values of the assets acquired and liabilities assumed, 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 and liabilities as at the date of acquisition (30 June 2012) are as follows:

	<u>SR</u>
ASSETS	
Cash and bank balances	64,706,132
Inventories	78,909,873
Prepayments and other assets	22,124,972
Property and equipment	221,751,191
Intangible assets	3,413,925
Total assets	<u>390,906,093</u>
LIABILITIES	
Trade payables	41,854,643
Accrued expenses and other liabilities	23,874,781
End-of-service indemnities	6,447,949
Total liabilities	<u>72,177,373</u>
Total identifiable net assets at fair value	<u>318,728,720</u>
Net assets acquired	318,728,720
Goodwill arising on acquisition	411,271,280
Cost of acquisition	<u>730,000,000</u>
Cash flows on acquisition	
Net cash acquired	64,706,132
Cost of acquisition	(730,000,000)
Balance payable against acquisition	188,000,000
Net cash outflow	<u>(477,293,868)</u>

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
30 September 2012**

8. MURABAHA FINANCING AND LOANS

The Company has medium and short-term Murabaha facilities with local commercial banks amounting to SR 410 million. As at 30 September 2012, the facilities have been fully utilized. However, the outstanding balance of these facilities as at 30 September 2012 was SR 244.2 million. The facilities are secured by promissory notes by the Company.

During the year ended 31 March 2010, the Company concluded an agreement with a local financing bank to reschedule part of its short-term Murabaha facility amounting to SR 300 million into a medium-term Murabaha which is repayable in equal quarterly installments of SR 25 million each commencing from July 2011. The Murabaha facility carries markup at SIBOR plus agreed margin per annum.

In addition to the above, the Company has signed a long term Murabaha financing agreement with International Finance Corporation, a member of World Bank Group, amounting to USD 50 million (SR 187.5 million) on 1 October 2011. As per the terms of the agreement, the term of the Murabaha facility is for a period of five and half years. The Murabaha facility is repayable in equal semi-annual installments commencing after the two years from the date of the first disbursement. As at 30 September 2012, the Company has fully utilized this facility. The Murabaha facility carries markup at LIBOR plus agreed margin per annum.

In connection with the acquisition of Nesk Group for Trading Projects (Note 7), a debt of SR 717 million was raised. The debt comprises a long term syndicated Murabaha financing from SAMBA Financial Group, Gulf International Bank and Saudi Hollandi Bank.

As per the syndicated facility agreement, the term of the Murabaha facility is for a period of 5 years. The Murabaha facility is repayable in equal 8 installments commencing on April 2014 and ending on October 2017. As of 30 September 2012, the Company has utilized SR 517 million. The Murabaha facility carries markup at SIBOR plus agreed margin per annum. The facility is secured by promissory notes by the Company.

The above long term Murabaha facilities are disclosed net of related unamortized upfront fees (including commitment fees) amounting to SR 16.2 million as at 30 September 2012.

9. ZAKAT AND INCOME TAX

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

Zakat status of the Company and its local subsidiaries

The Company has filed its zakat returns with DZIT for all years up to the year ended 31 March 2011 and has received limited certificate. The zakat returns for the years ended 31 March 2008, 2009, 2010 and 2011 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 procedures of objection on the remaining amount of SR 6 million are in process to be submitted to the DZIT.

Income tax status of foreign subsidiaries

The income tax returns have been filed and assessed by the relevant tax authorities for all years up to the year ended 31 March 2011 for the subsidiary in Jordan.

For the subsidiaries in Egypt and Kazakstan, the income tax returns have been filed for all years upto the year ended 31 March 2011 and 31 December 2011 respectively. The income tax returns are under review by the relevant tax authorities.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
30 September 2012

10. EARNINGS PER SHARE

Earnings per share from income from main operations and from net income for the period is calculated by dividing income from main operation and net income for the period by the number of outstanding ordinary shares during the period amounting to 70 million shares.

11. SEGMENT INFORMATION

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

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:

	Domestic SR'000	International SR'000	Intersegment elimination SR'000	Total SR'000
<i>As at 30 September 2012 (unaudited)</i>				
Total assets	6,270,592	518,248	(3,008,441)	3,780,399
Total liabilities	3,745,833	493,345	(2,257,779)	1,981,399
Sales	1,986,447	262,118	-	2,248,565
<i>As at 30 September 2011 (unaudited)</i>				
Total assets	3,772,736	172,428	(1,518,859)	2,426,305
Total liabilities	2,043,855	64,337	(1,090,725)	1,017,467
Sales	1,548,806	184,408	-	1,733,214

12. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	2012 SR	2011 SR
Letters of credit and guarantee	454,944,349	349,316,186
Capital commitment- property and equipments	105,980,595	70,619,576

13. COMPARATIVE FIGURES

During the period ended 30 September 2012, the management has performed an internal review of the component of selling and marketing expenses and allocated all stores related direct costs to cost of sales. Accordingly, certain figures for the prior period have been reclassified to conform with the allocation of those expenses in the current period. This allocation does not have any impact on the financial position and results of the operations of the Company and its subsidiaries.