

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

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

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

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR YEAR ENDED 31 MARCH 2014

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

Scope of audit

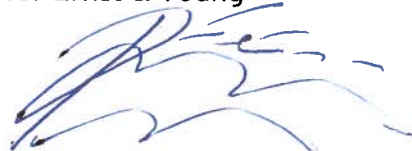
We have audited the accompanying consolidated balance sheet of Fawaz Abdulaziz Al Hokair & Co. - A Saudi Joint Stock Company (the "Company") and its subsidiaries (the "Group") as at 31 March 2014 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. 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 2014 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 Bylaws 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: 9 Rajab 1435H
(8 May 2014)

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

CONSOLIDATED BALANCE SHEET

As at 31 March 2014

	Note	2014 SR	2013 SR
ASSETS			
CURRENT ASSETS			
Cash and bank balances	4	101,006,685	134,166,544
Prepayments and other assets	5	739,364,628	447,489,362
Amounts due from related parties	6	137,728,024	217,506,556
Inventories	7	1,534,192,950	1,103,489,636
TOTAL CURRENT ASSETS		2,512,292,287	1,902,652,098
NON-CURRENT ASSETS			
Investments in associates and others	8	260,091,647	239,499,077
Property and equipment	9	1,615,781,301	1,349,653,431
Intangible assets - Goodwill	10	479,234,543	479,234,543
Other intangible assets	11	148,517,759	99,244,005
TOTAL NON-CURRENT ASSETS		2,503,625,250	2,167,631,056
TOTAL ASSETS		5,015,917,537	4,070,283,154
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term Murabaha financing and loans	13	465,692,323	202,039,786
Current portion of Murabaha financing and term loans	13	307,357,934	236,285,103
Trade accounts payables		550,155,761	341,522,373
Accrued expenses and other payables	14	522,840,952	309,886,194
Amount due to a related party	6	81,006,107	-
TOTAL CURRENT LIABILITIES		1,927,053,077	1,089,733,456
NON-CURRENT LIABILITIES			
Murabaha financing and term loans	13	565,709,222	871,712,166
End-of-service indemnities		70,161,999	65,934,862
TOTAL NON-CURRENT LIABILITIES		635,871,221	937,647,028
TOTAL LIABILITIES		2,562,924,298	2,027,380,484
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	16	1,050,000,000	700,000,000
Statutory reserve	17	328,278,314	251,142,965
Retained earnings		1,047,467,808	1,070,749,664
TOTAL SHAREHOLDERS' EQUITY		2,425,746,122	2,021,892,629
MINORITY INTERESTS		27,247,117	21,010,041
TOTAL EQUITY		2,452,993,239	2,042,902,670
TOTAL LIABILITIES AND EQUITY		5,015,917,537	4,070,283,154

The accompanying notes 1 to 29 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 2014

	Note	2014 SR	2013 SR
Sales		5,482,386,435	4,658,532,658
Direct costs		(4,084,411,294)	(3,528,168,262)
GROSS PROFIT		1,397,975,141	1,130,364,396
Selling and marketing expenses	19	(205,146,809)	(149,212,338)
General and administrative expenses	20	(246,873,655)	(223,510,912)
Depreciation and amortization		(225,756,380)	(173,704,703)
INCOME FROM MAIN OPERATIONS		720,198,297	583,936,443
Share in income of associates	8	13,156,725	1,353,088
Financing charges		(50,421,618)	(33,540,838)
Other income, net	21	130,622,937	97,220,263
INCOME BEFORE ZAKAT AND INCOME TAX AND MINORITY INTERESTS		813,556,341	648,968,956
Zakat and income tax	15	(41,958,330)	(30,696,979)
INCOME BEFORE MINORITY INTERESTS		771,598,011	618,271,977
Minority interests		(244,518)	1,420,439
NET INCOME FOR THE YEAR		771,353,493	619,692,416
EARNINGS PER SHARE:			
Attributable to income from main operations	24	6.86	5.56
Attributable to net income for the year	24	7.35	5.90

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The accompanying notes 1 to 29 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 2014

	2014 SR	2013 SR
OPERATING ACTIVITIES		
Income before zakat and income tax and minority interests	813,556,341	648,968,956
Adjustments for:		
Depreciation and amortization	225,756,380	173,704,703
Provision for end-of-service indemnities	16,129,044	16,025,248
Gain on disposal of property and equipment	(211,529)	-
Share in earning of associates	(13,156,725)	(1,353,088)
Gain on sale of investment in an associate	(10,350,000)	-
Write-off of property and equipment	2,655,884	3,149,739
Gain on sale of investments and brands related business	(99,970,548)	(21,418,949)
	<u>934,408,847</u>	<u>819,076,609</u>
Changes in operating assets and liabilities:		
Prepayments and other assets	(218,095,266)	(131,133,245)
Related parties balances	160,784,639	(59,892,272)
Inventories	(429,810,415)	(276,915,029)
Trade accounts payable	145,772,452	54,548,089
Accrued expenses and other payables	172,370,374	(25,290,867)
	<u>765,430,631</u>	<u>380,393,285</u>
Cash from operations	765,430,631	380,393,285
Zakat and income tax paid	(11,858,417)	(28,645,785)
End-of-service indemnities paid	(11,901,907)	(5,690,222)
	<u>741,670,307</u>	<u>346,057,278</u>
Net cash from operating activities	741,670,307	346,057,278
INVESTING ACTIVITIES		
Acquisition of a new subsidiary, net of cash acquired (note 12)	17,208,163	(661,226,020)
Investments in associates and others	(23,685,845)	1,545,270
Purchase of property and equipment	(376,322,832)	(494,202,317)
Proceeds from disposal of property and equipment	247,198	-
Other intangible assets	(59,491,832)	(26,323,485)
	<u>(442,045,148)</u>	<u>(1,180,206,552)</u>
Net cash used in investing activities	(442,045,148)	(1,180,206,552)
FINANCING ACTIVITIES		
Proceeds from Murabaha financing and loans, net	28,722,424	770,835,259
Dividends paid	(367,500,000)	-
Minority interests	5,992,558	(566,337)
	<u>(332,785,018)</u>	<u>770,268,922</u>
Net cash (used in) from financing activities	(332,785,018)	770,268,922
DECREASE IN CASH AND BANK BALANCES	(33,159,859)	(63,880,352)
Cash and bank balances at the beginning of the year	134,166,544	198,046,896
CASH AND BANK BALANCES AT THE END OF THE YEAR	101,006,685	134,166,544
NON-CASH TRANSACTIONS:		
Increase in share capital through bonus shares (note 16)	350,000,000	-
Receivable against sale of investment in associate (note 8)	21,600,000	-
Receivable against sale of investments and brands related business	52,180,000	23,625,000

The accompanying notes 1 to 29 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 2014

	<i>Attributable to equity holders of the parent</i>				<i>Minority interests</i> SR	<i>Total equity</i> SR
	<i>Share capital</i> SR	<i>Statutory reserve</i> SR	<i>Retained earnings</i> SR	<i>Total shareholders' equity</i> SR		
Balance at 31 March 2012	700,000,000	189,173,723	513,026,490	1,402,200,213	22,996,817	1,425,197,030
Net income for the year	-	-	619,692,416	619,692,416	(1,420,439)	618,271,977
Transfer to statutory reserve (note 17)	-	61,969,242	(61,969,242)	-	-	-
Movement in minority interests	-	-	-	-	(566,337)	(566,337)
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 (note 18)	-	-	(210,000,000)	(210,000,000)	-	(210,000,000)
Transfer to share capital (note 16)	350,000,000	-	(350,000,000)	-	-	-
Interim dividends 2014 (note 18)	-	-	(157,500,000)	(157,500,000)	-	(157,500,000)
Net income for the year	-	-	771,353,493	771,353,493	244,518	771,598,011
Transfer to statutory reserve (note 17)	-	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

The accompanying notes 1 to 29 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 2014

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 %	
		2014	2013
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	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
Nesk Trading Projects Company	Kingdom of Saudi Arabia	100	100
Global Leiva (note 12)	Kingdom of Spain	100	-

- (i) Al Waheedah Equipment Co. directly and indirectly owns certain active subsidiaries in Azerbaijan and dormant subsidiaries in United Arab Emirates.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 March 2014

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 and Morocco, 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 are 85% directly owned.

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.

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 2014

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 2014

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.

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 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 March 2014

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 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, if material, 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

	2014 SR	2013 SR
Cash at banks	90,002,235	128,448,432
Cash in hand	11,004,450	5,718,112
	<u>101,006,685</u>	<u>134,166,544</u>

5. PREPAYMENTS AND OTHER ASSETS

	2014 SR	2013 SR
Advances to suppliers	243,283,267	178,476,810
Prepaid rent	180,788,349	130,079,843
Receivable against sale of investment	97,645,549	25,937,397
Advance for investments	43,403,611	-
Security deposits	37,003,481	16,756,190
Receivable against sale of brands	36,917,847	32,213,765
Margin compensation receivable	25,120,995	5,286,268
Employee receivables	19,941,465	19,006,538
Receivable from Saudi Development Fund	18,730,213	8,537,752
Margin on letters of credit and guarantee	13,567,678	13,959,097
Receivable against credit cards sales	11,567,374	5,072,062
Others	11,394,799	12,163,640
	<u>739,364,628</u>	<u>447,489,362</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 March 2014

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:

	2014 SR	2013 SR
Rental payments including advances	295,537,944	295,006,711
Key management personnel salaries and benefits	20,459,988	17,197,888
Construction works	116,943,896	12,597,642
Payments made on behalf of an associate	7,887,393	6,653,998
Sales	6,699,557	12,164,947
Board of Directors' remuneration and compensation	1,400,000	700,000
Service fees	-	542,825

Amounts due from related parties consist of the following:

			2014 SR	2013 SR
	<i>Nature of transactions</i>	<i>Relationship</i>		
Retail Group Lebanon	Sales	Affiliate	46,400,879	52,414,038
Arabian Centers Company	Rental	Affiliate	44,012,102	128,498,359
Egyptian Centers for Real Estate Development	Rental	Affiliate	28,745,574	-
FG 4 Limited	Expense paid on behalf	Associate	14,541,391	6,653,998
Burberry Saudi Co. Ltd.	Services and payments	Associate	4,028,078	2,258,602
Fawaz Abdulaziz Al Hokair Real Estate Co.	Construction work	Affiliate	-	27,681,559
			<u>137,728,024</u>	<u>217,506,556</u>

Amount due to a related party consists of the following

			2014 SR	2013 SR
	<i>Nature of transactions</i>	<i>Relationship</i>		
Fawaz Abdulaziz Al Hokair Real Estate Co.	Construction work	Affiliate	81,006,107	-
			<u>81,006,107</u>	<u>-</u>

7. INVENTORIES

	2014 SR	2013 SR
Goods available for sale	1,467,581,674	1,014,846,163
Goods in transit	79,650,482	120,087,781
Provision for inventory shortages	(69,999,870)	(70,123,065)
	<u>1,477,232,286</u>	<u>1,064,810,879</u>
Supplies	82,767,647	60,500,404
Provision for slow-moving supplies	(25,806,983)	(21,821,647)
	<u>1,534,192,950</u>	<u>1,103,489,636</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 March 2014

8. INVESTMENTS IN ASSOCIATES AND OTHERS

	<i>Ownership %</i>	<i>Country of incorporation</i>	<i>2014 SR</i>	<i>2013 SR</i>
Associates:				
Burberry Saudi Co. Ltd. (i)	25.0	Kingdom of Saudi Arabia	24,352,288	32,608,288
International Shop Fittings Limited (ii)	51.0	United Arab Emirates	24,245,420	-
Investate Reality BSC	13.9	Kingdom of Bahrain	23,442,697	22,472,000
FG 4 Limited	50.0	United Arab Emirates	187,780	187,780
			<u>72,228,185</u>	<u>55,268,068</u>
Others:				
Galleria Mall (iii)	16.67	Kingdom of Saudi Arabia	84,252,274	89,252,274
Trade Center Co. Ltd.	9.32	Kingdom of Saudi Arabia	94,000,000	94,000,000
Other investments			9,611,188	978,735
			<u>187,863,462</u>	<u>184,231,009</u>
			<u>260,091,647</u>	<u>239,499,077</u>

Movement in associates during the year ended 31 March 2014 is as follows:

	<i>Balance at 31 March 2013 SR</i>	<i>Addition SR</i>	<i>Share in earnings SR</i>	<i>Disposal SR</i>	<i>Balance at 31 March 2014 SR</i>
Burberry Saudi Co. Ltd.	32,608,288	-	2,994,000	(11,250,000)	24,352,288
International Shop Fittings Limited	-	15,053,392	9,192,028	-	24,245,420
Investate Reality BSC	22,472,000	-	970,697	-	23,442,697
FG 4 Limited	187,780	-	-	-	187,780
	<u>55,268,068</u>	<u>15,053,392</u>	<u>13,156,725</u>	<u>(11,250,000)</u>	<u>72,228,185</u>

- (i) 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 which is recorded as receivable as the proceeds are yet to be received. The Company has recognized gain amounting to SR 10.3 million on the partial sale of this investment.
- (ii) 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.
- (iii) Investment in Galleria mall represents the Company's share in a Musharaka venture. The venture is for the construction and management of a mall and a hotel. The investment is amortized over the period of 19 years being the legal term life of the investment.

Following is the movement in the investment in Galleria Mall:

	<i>2014 SR</i>	<i>2013 SR</i>
Cost		
At the beginning and end of the year	<u>104,252,274</u>	<u>104,252,274</u>
Accumulated amortization		
At the beginning of the year	15,000,000	10,000,000
Charge for the year	5,000,000	5,000,000
At the end of the year	<u>20,000,000</u>	<u>15,000,000</u>
Net book value	<u>84,252,274</u>	<u>89,252,274</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 2014</i> SR	<i>Total 2013</i> SR
Cost							
At the beginning of the year	68,991,690	1,676,090,477	267,928,928	15,093,666	152,612,887	2,180,717,648	1,386,874,358
Additions	-	235,951,281	79,083,375	824,098	60,464,078	376,322,832	494,202,317
Related to a newly acquired subsidiary (note 12)	-	90,260,314	6,403,478	-	-	96,663,792	317,560,479
Transfers	-	86,469,399	28,923,386	103,414	(115,496,199)	-	-
Disposals / write-off	-	(5,326,080)	(1,322,236)	(582,700)	-	(7,231,016)	(17,919,506)
At the end of the year	68,991,690	2,083,445,391	381,016,931	15,438,478	97,580,766	2,646,473,256	2,180,717,648
Accumulated depreciation							
At the beginning of the year	-	685,536,106	132,895,675	12,632,436	-	831,064,217	596,825,396
Charge for the year	-	174,615,086	28,391,028	1,161,087	-	204,167,201	159,406,827
Related to a newly acquired subsidiary (note 12)	-	-	-	-	-	-	87,395,710
Disposals / write-off	-	(3,385,074)	(604,691)	(549,698)	-	(4,539,463)	(12,563,716)
At the end of the year	-	856,766,118	160,682,012	13,243,825	-	1,030,691,955	831,064,217
Net book value							
At 31 March 2014	68,991,690	1,226,679,273	220,334,919	2,194,653	97,580,766	1,615,781,301	
At 31 March 2013	68,991,690	990,554,371	135,033,253	2,461,230	152,612,887		1,349,653,431

Land includes certain plots amounting to SR 16 million (2013: 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 2014.

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10. INTANGIBLE ASSETS - GOODWILL

	2014 SR	2013 SR
Wahba Trading Company Limited (a)	61,437,764	61,437,764
Nesk Projects Trading Company (b)	417,796,779	417,796,779
	<u>479,234,543</u>	<u>479,234,543</u>

a) 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 118,553,647 and the cost of acquisition was SR 179,991,411 accordingly a goodwill amounting to SR 61,437,764 arose at acquisition of this subsidiary.

b) 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 13).

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.

Goodwill impairment test

Goodwill is tested annually for impairment by management in the fourth quarter of the financial year for the year ending 31 March 2014. 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 7% 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	15	15
Budgeted gross margins	51	45
Average annual growth rate for sale	2	7
Terminal growth rate	2	7

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</i> SR	<i>Key money</i> SR	<i>Deferred charges</i> SR	<i>Trademarks</i> SR	<i>Total</i> 2014 SR	<i>Total</i> 2013 SR
Cost						
At the beginning of the year	35,221,948	87,683,295	27,751,537	23,266,655	173,923,435	135,158,389
Additions	-	11,555,057	47,936,775	-	59,491,832	26,323,485
Related to a newly acquired subsidiary (note 12)	-	-	4,567,320	1,803,781	6,371,101	12,441,561
Write-off	-	(18,527,759)	(3,186,670)	-	(21,714,429)	-
At the end of the year	<u>35,221,948</u>	<u>80,710,593</u>	<u>77,068,962</u>	<u>25,070,436</u>	<u>218,071,939</u>	<u>173,923,435</u>
Accumulated amortization						
At the beginning of the year	5,653,098	50,128,200	18,898,132	-	74,679,430	57,017,850
Amortization	1,409,263	6,937,202	8,242,714	-	16,589,179	9,297,876
Related to a newly acquired subsidiary (note 12)	-	-	-	-	-	8,363,704
Write-off	-	(18,527,759)	(3,186,670)	-	(21,714,429)	-
At the end of the year	<u>7,062,361</u>	<u>38,537,643</u>	<u>23,954,176</u>	<u>-</u>	<u>69,554,180</u>	<u>74,679,430</u>
Net book value						
31 March 2014	<u><u>28,159,587</u></u>	<u><u>42,172,950</u></u>	<u><u>53,114,786</u></u>	<u><u>25,070,436</u></u>	<u><u>148,517,759</u></u>	
31 March 2013	<u><u>29,568,850</u></u>	<u><u>37,555,095</u></u>	<u><u>8,853,405</u></u>	<u><u>23,266,655</u></u>		<u><u>99,244,005</u></u>

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12. ACQUISITION OF A NEW SUBSIDIARY

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 the Kingdom of 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 provisional fair values of the assets acquired and liabilities assumed as determined by an independent evaluator. The finalization of the purchase price allocation was still under process as at 31 March 2014.

13. MURABAHA FINANCING AND LOANS

The Company has medium and short-term Murabaha facilities with local and foreign commercial banks amounting to SR 647.5 million (2013: SR 460 million). As at 31 March 2014, these facilities have been fully utilized and the outstanding balance of these facilities as at 31 March 2014 was SR 465.7 million (2013: SR 202 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 will be 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. The outstanding balance as at 31 March 2014 was SR 25 million (2013: SR 125 million).

In addition to the above, 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 (equivalent to SR 187.5 million) on 1 October 2011. During the year ended 31 March 2013, the Company has agreed with IFC to increase the Murabaha facility amount by USD 25 million (equivalent to SR 93.75 million). As per the terms of the agreement, the term of the Murabaha facility is for a period of five and half years. The Murabaha facility is repayable in equal semi-annual installments commencing after the two years from the date of the first disbursement. As at 31 March 2014, 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 2014 was SR 246.1 million (2013: SR 281.3 million).

In connection with the acquisition of Nesk Projects Trading Company (note 10), 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 five years. The Murabaha facility is repayable in equal eight installments commencing on March 2014 and ending on October 2017. As of 31 March 2014, the Company has fully utilized this facility. The Murabaha facility carries markup at SIBOR plus agreed margin per annum. The facility is secured by promissory notes by the Company. The outstanding balance as at 31 March 2014 was SR 613.7 million (2013: SR 717 million).

The above Murabaha facilities are disclosed net of related unamortized upfront fees (including commitment fees) amounting to SR 11.8 million as at 31 March 2014 (2013: 15.3 million).

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14. ACCRUED EXPENSES AND OTHER PAYABLES

	2014 SR	2013 SR
Payable to contractors and others	184,171,479	54,037,868
Rent payable	107,050,485	76,148,718
Employees' salaries and benefits	83,198,430	67,884,333
Provision for zakat and foreign income tax (note 15)	82,619,210	52,519,297
Government duties	19,190,211	13,625,409
Royalty payable	18,248,043	15,733,378
Accrued consignment	10,226,721	14,758,439
Finance cost payable	6,661,734	7,088,103
Utilities	930,991	2,593,154
Others	10,543,648	5,497,495
	<u>522,840,952</u>	<u>309,886,194</u>

15. ZAKAT AND INCOME TAX

Charge for the year:

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

	2014 SR	2013 SR
Zakat provision for the year	27,051,387	27,563,172
Income tax provision for the year	14,906,943	3,133,807
	<u>41,958,330</u>	<u>30,696,979</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

At 31 March 2014	Zakat SR			Income tax SR	Zakat and income tax total SR
	<i>Company</i>	<i>Subsidiaries</i>	<i>Sub Total</i>		
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	<u>27,861,415</u>	<u>46,253,148</u>	<u>74,114,563</u>	<u>8,504,647</u>	<u>82,619,210</u>

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15. ZAKAT AND INCOME TAX (continued)

At 31 March 2013	Zakat SR			Income tax SR	Zakat and income tax Total SR
	Company	Subsidiaries	Sub Total		
Balance at beginning of the year	18,359,888	27,852,505	46,212,393	1,024,137	47,236,530
Provision for the year	17,350,021	10,213,151	27,563,172	3,133,807	30,696,979
Related to acquired subsidiary	-	3,231,573	3,231,573	-	3,231,573
Payment during the year	(26,185,690)	-	(26,185,690)	(2,460,095)	(28,645,785)
Balance at end of the year	<u>9,524,219</u>	<u>41,297,229</u>	<u>50,821,448</u>	<u>1,697,849</u>	<u>52,519,297</u>

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 2012 and received zakat certificate. The zakat returns for the years ended from 31 March 2008 to 2012 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 2014.

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 2013 for the subsidiary in Jordan.

For the subsidiaries in Egypt and United States of America, the income tax returns have been filed for all years upto the year ended 31 March 2013. For the subsidiaries in Kazakhstan, Georgia and Azerbaijan the income tax returns have been filed up to the year ended 31 December 2013. The income tax returns are under review by the relevant tax authorities.

16. SHARE CAPITAL

On 7 Ramadan 1434H (corresponding to 16 July 2013), the General Assembly of shareholders has approved an increase in the share capital of the Company from SR 700 million to SR 1,050 million through distribution of one bonus share for every two shares held.

All the legal formalities required to enforce the increase in the share capital were completed during the year ended 31 March 2014 and the Company's share capital at 31 March 2014 amounted to SR 1,050 million (2013: SR 700 million) consisting of 105 million shares (2013: 70 million shares) of SR 10 each fully paid and issued.

17. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

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18. DIVIDENDS

On 7 Ramadan 1434H (corresponding to 16 July 2013), the General Assembly of shareholders approved to distribute cash dividends of SR 3 per share totaling SR 210 million representing 30% of the Company's share capital before the increase in capital (note 16).

On 22 Dhul-Hijjah 1434H (corresponding to 27 October 2013), the Board of Directors recommended to distribute interim cash dividends of SR 157,500,000 (SR 1.5 per share) for the six months period ended 30 September 2013. The Board of Directors recommendation was approved by the Extraordinary General Assembly of shareholders held on 24 Jumad Awal 1435H (corresponding to 25 March 2014).

19. SELLING AND MARKETING EXPENSES

	2014 SR	2013 SR
Employees' salaries and benefits	113,877,615	101,313,194
Advertising and promotions	34,853,756	14,377,461
Rent	17,637,114	5,214,207
Travel	13,449,401	11,672,667
Freight and distribution charges	7,115,321	2,236,639
Utilities and maintenance	6,097,958	4,909,575
Bank charges	2,018,630	1,422,097
Others	10,097,014	8,066,498
	<u>205,146,809</u>	<u>149,212,338</u>

20. GENERAL AND ADMINISTRATIVE EXPENSES

	2014 SR	2013 SR
Employees' salaries and related benefits	151,034,313	130,393,281
Rent	32,509,746	38,706,669
Bank charges	15,580,390	16,037,795
Provision for slow-moving supplies	10,977,520	8,779,005
Travel	10,338,864	7,497,719
Utilities and maintenance	10,258,059	7,471,826
Insurance	4,606,316	3,558,409
Stationary and supplies	1,347,987	1,719,310
Professional fees	1,312,291	2,500,259
Government fees and related charges	1,071,315	2,799,147
Others	7,836,854	4,047,492
	<u>246,873,655</u>	<u>223,510,912</u>

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21. OTHER INCOME, NET

	2014 SR	2013 SR
Gain from sale of investment	70,254,840	52,201,805
Gain on sale of investments and brands related business	48,969,857	21,418,949
Dividend income	8,000,000	10,900,000
Miscellaneous	3,398,240	12,699,509
	<u>130,622,937</u>	<u>97,220,263</u>

22. SUBSEQUENT EVENTS

The Board of Directors in their meeting held on 6 Jumad Thani 1435H (corresponding to 20 April 2014) recommended the following:

- i) increase the Company share capital from SR 1,050 million to SR 2,100 million and consequently increasing the number of shares from 105 million to 210 million shares through distribution of one bonus share for every one share held through capitalization of retained earnings and statutory reserve.
- ii) distribution of cash dividends of SR 3 per share totaling SR 315 million for the six months ended 31 March 2014 representing 30% of Company shared capital before the increase of the capital.

The above recommendations are subject to the General Assembly of shareholders and regulatory approvals.

23. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

	2014 SR	2013 SR
Letters of credit and guarantee	839,659,745	599,986,128
Capital commitments-property and equipment	<u>194,862,128</u>	<u>195,667,945</u>

24. 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 105 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.

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25. 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 and Spain.

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

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

	<i>Domestic</i> SR'000	<i>International</i> SR'000	<i>Intersegment elimination</i> SR'000	<i>Total</i> SR'000
<u><i>As at and for the year ended 31 March 2014</i></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
<u><i>As at and for the year ended 31 March 2013</i></u>				
Total assets	4,032,032	891,887	(853,636)	4,070,283
Total liabilities	1,936,774	890,917	(800,311)	2,027,380
Sales	3,961,461	697,072	-	4,658,533

26. 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.

27. 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. Prepayment 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 did not have any significant impact to the Company and its subsidiaries during the year.

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.

31 March 2014

28. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 9 Rajab 1435H (corresponding to 8 May 2014).

29. COMPARATIVE FIGURES

In addition to the restatement mentioned in note 24 above, certain figures for the prior year have been reclassified to conform with the presentation in the current year.