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**FAWAZ ABDULAZIZ AL HOKAIR & CO.
(A SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED MARCH 31, 2010**

Audit . Tax . Consulting . Financial Advisory .

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED MARCH 31, 2010**

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INDEPENDENT AUDITORS' REPORT

To the shareholders
Fawaz Abdulaziz Al Hokair & Co.
Riyadh, Saudi Arabia

Scope of Audit

We have audited the accompanying consolidated balance sheet of Fawaz Abdulaziz Al Hokair & Co. (a Saudi joint stock company) (the "Company") as of March 31, 2010 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and notes 1 to 27 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting standards used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2010, and the consolidated results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the Company's bylaws of the Company as these relate to the preparation and presentation of these consolidated financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.



Husam H. Sadagah
License No. 73



Jumada Al Thani 8, 1431
May 22, 2010

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FAWAZ ABDULAZIZ AL HOKAIR & CO.
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2010

	Note	2010 SR	2009 SR
ASSETS			
Current assets			
Cash and bank balances	3	76,795,990	24,215,711
Inventories, net	4	476,129,215	364,843,452
Prepayments and other assets	5	154,640,844	127,720,872
Due from related parties	6	175,483,808	156,666,221
Total current assets		883,049,857	673,446,256
Non-current assets			
Investments in an associate and others	7	235,913,749	247,913,749
Advance against investments	8	-	138,541,103
Investment property, net	9	23,757,579	24,606,063
Property and equipment, net	10	605,294,271	453,369,392
Goodwill	11	61,437,764	-
Other intangible assets, net	12	77,815,531	51,978,566
Total non-current assets		1,004,218,894	916,408,873
TOTAL ASSETS		1,887,268,751	1,589,855,129
LIABILITIES AND EQUITY			
Current liabilities			
Due to banks	13	70,000,000	370,000,000
Trade payables		149,517,028	156,215,448
Accrued expenses and other liabilities	14	218,969,941	171,877,484
Due to a related party	6	640,210	-
Total current liabilities		439,127,179	698,092,932
Non-current liabilities			
Long term Murabaha	13	300,000,000	-
End-of-service indemnities		37,926,217	28,915,173
Total non-current liabilities		337,926,217	28,915,173
Shareholders' equity			
Share capital	1	700,000,000	700,000,000
Statutory reserves	15	112,888,449	89,738,403
Retained earnings		281,459,032	73,108,621
Total shareholders' equity		1,094,347,481	862,847,024
Minority interest		15,867,874	-
Total equity		1,110,215,355	862,847,024
TOTAL LIABILITIES AND EQUITY		1,887,268,751	1,589,855,129

The accompanying notes form an integral part of these consolidated financial statements.

FAWAZ ABDULAZIZ AL HOKAIR CO.
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 2010

	Note	2010 SR	2009 SR
Retail sales		2,074,389,246	1,899,111,982
Cost of sales		(1,131,838,713)	(1,139,033,742)
Gross profit		942,550,533	760,078,240
Selling and marketing expenses	17	(573,690,790)	(483,055,635)
General and administrative expenses	18	(50,396,065)	(44,557,037)
Depreciation and amortization	10, 11 & 12	(77,518,331)	(64,704,369)
Operating income		240,945,347	167,761,199
Equity (losses) earnings in associates	7	(30,000,000)	12,906,374
Finance charges		(12,794,200)	(12,458,165)
Other income, net	19	44,717,010	41,607,906
Income before zakat and income tax and minority interest		242,868,157	209,817,314
Zakat and income tax	16	(11,359,456)	(7,459,000)
Income before minority interest		231,508,701	202,358,314
Minority interest		(8,244)	-
NET INCOME		231,500,457	202,358,314
Earnings per share (in Saudi Riyals):			
From operating income	21	3.44	2.40
From net income	21	3.31	2.89

The accompanying notes form an integral part of these consolidated financial statements.

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2010

	2010 SR	2009 SR
OPERATING ACTIVITIES		
Income before zakat and income tax and minority interest	242,868,157	209,817,314
Adjustments for:		
Depreciation and amortization	77,518,331	64,704,369
Provision for end-of-service indemnities	7,534,062	7,496,193
Equity losses (earnings) in associates	30,000,000	(12,906,374)
Changes in operating assets and liabilities:		
Trade receivables	-	4,000,000
Inventories	(46,011,116)	(11,584,864)
Prepayments and other assets	(21,359,907)	48,902,363
Due from/to related parties, net	(18,177,377)	(73,511,521)
Trade payables	(8,451,933)	49,631,590
Accrued expenses and other liabilities	32,741,590	67,272,802
Cash from operations	296,661,807	353,821,872
End-of-service indemnities paid	(609,933)	(1,101,121)
Net cash from operating activities	296,051,874	352,720,751
INVESTING ACTIVITIES		
Investments in an associate and others	(18,000,000)	(100,000,000)
Acquisition of subsidiaries (Note 11(a))	(79,784,795)	-
Purchase of property and equipment, net	(148,413,410)	(133,934,961)
Advances against investment	-	(114,068,265)
Other intangible assets, net	(1,981,684)	(31,455,769)
Net cash used in investing activities	(248,179,889)	(379,458,995)
FINANCING ACTIVITIES		
Dividends paid	-	(245,000,000)
Due to banks	-	268,387,872
Minority interest	(1,851,469)	-
Net cash (used in) from financing activities	(1,851,469)	23,387,872
Net change in cash and bank balances	46,020,516	(3,350,372)
Cash and bank balances, beginning of the year	24,215,711	27,566,083
Cash and bank balances from acquired subsidiaries (Note 11)	6,559,763	-
CASH AND BANK BALANCES, END OF THE YEAR	76,795,990	24,215,711
Non-cash transactions:		
Advance against investment in subsidiaries transferred to investment in consolidated subsidiaries (Note 11 (a))	138,541,103	-
Amount payable for acquiring subsidiary (Note 11 (a))	2,991,411	-

The accompanying notes form an integral part of these consolidated financial statements.

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED MARCH 31, 2010**

	Note	Share capital SR	Statutory reserve SR	Retained earnings SR	Total SR
April 1, 2008		700,000,000	69,502,572	135,986,138	905,488,710
Net income for the year		-	-	202,358,314	202,358,314
Transfer to statutory reserve	15	-	20,235,831	(20,235,831)	-
Dividends	22	-	-	(245,000,000)	(245,000,000)
March 31, 2009		700,000,000	89,738,403	73,108,621	862,847,024
Net income for the year		-	-	231,500,457	231,500,457
Transfer to statutory reserve	15	-	23,150,046	(23,150,046)	-
March 31, 2010		700,000,000	112,888,449	281,459,032	1,094,347,481

The accompanying notes form an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010**

1. ORGANIZATION AND ACTIVITIES

Fawaz Abdulaziz Al Hokair & Company (the Company) is registered in Riyadh under commercial registration No. 1010076209 dated Sha'ban 20, 1410 H (corresponding to March 18, 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 articles of association 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 complementaries.
- 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, torah 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED MARCH 31, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with the Accounting Standards issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Company:

Accounting convention

The consolidated financial statements are prepared under the historical cost convention except for investment in an associate and others which are accounted under the equity method.

Use of estimates

The preparation of 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.

Basis of consolidation

The consolidated financial statements include the financial statements of Fawaz Abdulaziz Al Hokair & Co. and the following subsidiaries:

	2010			2009
	Direct	Indirect*	Total	Total
i) Al Waheedah Equipment Co. Ltd.	95%	5%	100%	100%
ii) Haifa B. Al Kalam & Partners International Co. for Trading	95%	5%	100%	100%
iii) Saudi Retail Co. Ltd.	95%	5%	100%	100%
iv) Wahba Trading Company Limited (Note 11)	95%	5%	100%	-
v) Retail Group Kazakhstan (Note 23)	85%	-	85%	-
vi) Al Farida Trading Agencies Company (Note 11)	70%	-	70%	-

* Indirect ownership represents cross ownership among the subsidiary companies.

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

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group'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 interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED MARCH 31, 2010

Revenue recognition

Revenue from sales is recognized when goods are delivered and invoices are issued to customers.

Leasing

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

Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease.

Expenses

Selling and marketing expenses principally comprise of costs incurred in the distribution and sale of the Company's goods. All other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically part of cost of sales as required under generally accepted accounting standards. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

Inventories

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

Investment in an associate and others

Investments in associated companies in which the Company has equity interest between 20% to 50% or exercises 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's equity in the net income or loss of the associated companies is included in the consolidated statement of income.

Investments less than 20 % for which there is no readily available market are stated at cost. The carrying amount of investments is reduced to recognize other than temporary diminution in value.

Investment properties

Investment properties are reflected at cost less accumulated depreciation and reviewed annually for any decline in the value of the investment. Depreciation on investment properties is charged over the estimated useful life of the investment property on a straight line method using a depreciation rate of 3% per year. Gains from these investments are reported upon the sale of investment. Income from lease of such properties is recognized in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED MARCH 31, 2010

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. 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. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease.

The estimated rates of depreciation of the principal classes of assets are as follows:

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

Goodwill

Goodwill arising from the investment in subsidiary represents the excess of the cost of acquisition over the Company's interests in the fair value of the net assets of the subsidiary 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

Intangible assets represent software implementation cost (oracle project), key money, and other deferred charges (brand acquisition cost and other software costs), and are amortized using the straight-line method over the expected period of benefit.

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

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

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

Impairment

The Company reviews annually the carrying amounts of its 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 (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED MARCH 31, 2010

Where an impairment loss, other than goodwill, subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognized as income immediately.

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 subsidiaries denominated in foreign currencies have been translated into Saudi Riyals at exchange rates prevailing at the balance sheet date. Revenues and expenses of the consolidated subsidiaries denominated in foreign currencies have been translated into Saudi Riyal at average exchange rates during the year. Exchange differences arising from such translations, if material, are included in the cumulative translation adjustment account under shareholders' equity in the consolidated balance sheet.

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 by its subsidiaries as of the consolidated balance sheet date. The Company has pension schemes for its eligible employees in relevant foreign jurisdictions.

Zakat

The Company and its subsidiaries are subject to the Regulations of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis. The zakat charge is computed on the zakat base. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

For subsidiaries outside the Kingdom of Saudi Arabia, tax liabilities are provided for in accordance with relevant tax jurisdictions.

Dividends

Dividend distributions are recorded in the year in which the General Assembly approve such distributions.

3. CASH AND BANK BALANCES

	2010 SR	2009 SR
Cash in hand	3,944,002	2,225,476
Cash at banks	72,851,988	21,990,235
	<u>76,795,990</u>	<u>24,215,711</u>

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED MARCH 31, 2010

4. INVENTORIES

	2010 SR	2009 SR
Goods available for sale	465,156,290	355,083,155
Goods in transit	33,118,567	26,015,631
Provision for inventory shortages	(45,259,871)	(40,467,344)
	453,014,986	340,631,442
Supplies	39,685,221	36,772,583
Provision for slow-moving supplies	(16,570,992)	(12,560,573)
	476,129,215	364,843,452

5. PREPAYMENTS AND OTHER ASSETS

	2010 SR	2009 SR
Prepaid rent	42,113,278	53,019,788
Advances to suppliers	38,737,908	35,233,750
Margin on letters of credit and guarantees	22,801,026	7,132,630
Receivable against sale of investment (Note 23)	15,600,000	-
Employee receivables	9,230,642	12,183,434
Receivable from Saudi Development Fund	7,971,780	7,416,593
Margin compensation receivable	7,560,314	7,818,731
Other	10,625,896	4,915,946
	154,640,844	127,720,872

6. RELATED PARTY TRANSACTIONS

During the year, the Company transacted with Fawaz Al Hokair Group. 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:

	2010 SR	2009 SR
Sales	41,609,983	27,325,751
Purchases	10,313,868	-
Rental payments including advances	198,469,612	137,605,722
Construction works	40,450,935	45,758,885

FAWAZ ABDULAZIZ AL HOKAIR & CO.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED MARCH 31, 2010

The balances due from related parties as of March 31 consist of the following:

	Relationship	2010 SR	2009 SR
Due from related companies:			
Arabian Centers Company	Affiliate	115,211,828	120,655,164
Fawaz Abdulaziz Al Hokair & Co. Real Estate Co.	Affiliate	24,621,659	15,622,667
Retail Group Lebanon	Affiliate	34,993,589	13,124,888
Retail Group Egypt	Affiliate	656,732	4,112,259
Retail Group Jordan	Affiliate	-	1,886,039
Retail Group Gulf LLC	Affiliate	-	1,265,204
		175,483,808	156,666,221

Due to a related party as of March 31, consists of the following

	2010 SR	2009 SR
Retail Group Gulf LLC	640,210	-

7. INVESTMENTS IN AN ASSOCIATE AND OTHERS

	Ownership percentage	Opening balance SR	Additions SR	Equity share in net (losses) earnings SR	Closing balance SR
Associate:					
Investate Reality BSC (a)	13.9%	71,913,749	-	(30,000,000)	41,913,749
		71,913,749	-	(30,000,000)	41,913,749
Others:					
Trade Center (b)	7.73%	76,000,000	18,000,000	-	94,000,000
Galleria Mall (c)	15%	100,000,000	-	-	100,000,000
		176,000,000	18,000,000	-	194,000,000
2010		247,913,749	18,000,000	(30,000,000)	235,913,749
2009		135,007,375	100,000,000	12,906,374	247,913,749

- a) During the year the company has recognized an amount of SR 30 million, under the equity method, being the share in the losses of the associate, Investate Reality BSC, incurred during the year ended December 31, 2009. These losses were primarily related to the decline in real estate value as a result of the overall worldwide financial crises.
- b) During the year the Company increased its investment in Trade Centre Company (TCC) by acquiring further shares. The cost of such shares amounted to SR 18 million and it increased the Company's shareholding in TCC from 7.61% to 7.73%.
- c) Investment in Galleria mall represents the company's share in a Musharika venture. The venture is for the construction and management of a mall and a hotel. Total consideration paid was SR 100 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED MARCH 31, 2010

8. ADVANCES AGAINST INVESTMENTS

	2010	2009
	SR	SR
Advance against acquisition of Wahba Trading Company	-	99,333,684
Advance against acquisition of Al Farida Trading Agencies	-	39,207,419
	<u>-</u>	<u>138,541,103</u>

During 2009, the Company paid advances against acquisition of Wahba Trading Company and Al Farida Trading Agencies Company.

During the year ended March 31, 2010, legal formalities regarding the acquisition of the above entities were completed and accordingly the balances transferred to investment in consolidated subsidiaries (Note 11).

9. INVESTMENT PROPERTY, NET

	2010	2009
	SR	SR
Cost	28,000,000	28,000,000
Less: Accumulated depreciation	(4,242,421)	(3,393,937)
Net book value	<u>23,757,579</u>	<u>24,606,063</u>

This represents investment in property on the 28th floor of Kingdom Towers. Rental income for the year from this investment property amounted to SR 3,615,822 (2009: SR 3,615,822).

FAWAZ ABDULAZIZ AL HOKAIR & CO.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED MARCH 31, 2010

10. PROPERTY AND EQUIPMENT, NET

	Land		Buildings and leasehold improvements		Furniture and office equipment		Motor vehicles		Capital work in progress		Total	
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR
Cost												
April 1, 2009	61,045,930		610,912,318		68,376,529		13,852,101		3,479,657			757,666,535
Balances from acquired subsidiaries	7,945,760		61,793,061		41,570,869		511,195		-			111,820,885
Additions	-		45,102,462		8,816,092		-		94,707,507			148,626,061
Disposals	-		-		-		(4,569,415)		-			(4,569,415)
March 31, 2010	68,991,690		717,807,841		118,763,490		9,793,881		98,187,164			1,013,544,066
Accumulated depreciation												
April 1, 2009	-		263,269,710		29,547,924		11,479,509		-			304,297,143
Charge for the year	-		58,925,988		10,094,462		1,238,857		-			70,259,307
Balances from acquired subsidiaries	-		22,433,533		15,313,061		303,515		-			38,050,109
Disposals	-		-		-		(4,356,764)		-			(4,356,764)
March 31, 2010	-		344,629,231		54,955,447		8,665,117		-			408,249,795
Net book value												
March 31, 2010	68,991,690		373,178,610		63,808,043		1,128,764		98,187,164			605,294,271
March 31, 2009	61,045,930		347,642,608		38,828,605		2,372,592		3,479,657			453,369,392

The transfer of the title deed for certain lands amounting to SR 16 million in the name of the Company were in process as of March 31, 2010.

Capital work in progress includes advance of SR 21,523,349 paid for leasehold improvements in progress.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED MARCH 31, 2010

11. ACQUISITION OF SUBSIDIARIES AND RESULTING GOODWILL

During the year, the Company acquired the following subsidiaries:

<u>Name of company acquired</u>	<u>Percentage of holding</u>	<u>Date of acquisition</u>
Wahba Trading Company	100%	April 2009
Al Farida Trading Agencies Company (Twaila)*	70%	May 2007

* The Company was consolidated for the first time during the quarter ended September 30, 2009 after completing the legal formalities.

The fair value of net assets acquired and the goodwill arising on acquisition of subsidiaries is as follows:

	<u>Wahba Trading Company Limited SR</u>	<u>Al Farida Trading Agencies Company SR</u>	<u>Total SR</u>
Cash and bank balances	4,822,008	1,737,755	6,559,763
Inventories	53,571,000	11,703,647	65,274,647
Prepayments and other assets	777,386	4,782,679	5,560,065
Property and equipment	60,829,215	12,941,561	73,770,776
Other intangible assets	-	30,265,821	30,265,821
Trade payable	-	(1,753,513)	(1,753,513)
End-of-service indemnities	(1,445,962)	(640,953)	(2,086,915)
Net assets as of date of acquisition	118,553,647	59,036,997	177,590,644
Minority interest	-	(17,711,099)	(17,711,099)
Company's share of subsidiary's net assets	118,553,647	41,325,898	159,879,545
Cost of acquisition (b)	179,991,411	41,325,898	221,317,309
Goodwill	61,437,764	-	61,437,764

a) Settlement of total consideration:

	<u>Wahba Trading Company Limited SR</u>	<u>Al Farida Trading Agencies Company SR</u>	<u>Total SR</u>
Cost of acquisition (b)	179,991,411	41,325,898	221,317,309
Payments in prior years (Note 8)	(99,333,684)	(39,207,419)	(138,541,103)
Cash paid during the year	(77,666,316)	(2,118,479)	(79,784,795)
Amount payable	2,991,411	-	2,991,411

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED MARCH 31, 2010

b) Cost of acquisition comprises of the following:

	<u>SR</u>
Consideration paid to acquire	216,325,898
Professional fees paid/payable to third party	4,991,411
	<u>221,317,309</u>

12. OTHER INTANGIBLE ASSETS, NET

	Key Money SR	Oracle Implementation Cost SR	Trademark SR	Deferred charges SR	Total SR
Cost					
Opening	32,738,998	35,673,399		- 10,434,510	78,846,907
Balances from acquired subsidiary	6,999,166	-	23,266,655	-	30,265,821
Addition	672,500	200,001		- 1,109,183	1,981,684
Closing	<u>40,410,664</u>	<u>35,873,400</u>	<u>23,266,655</u>	<u>11,543,693</u>	<u>111,094,412</u>
Accumulated					
Opening	23,439,658	-		- 3,428,683	26,868,341
Amortization	2,408,025	1,434,936		- 2,567,579	6,410,540
Closing	<u>25,847,683</u>	<u>1,434,936</u>		<u>- 5,996,262</u>	<u>33,278,881</u>
March 31, 2010	<u>14,562,981</u>	<u>34,438,464</u>	<u>23,266,655</u>	<u>5,547,431</u>	<u>77,815,531</u>
March 31, 2009	<u>9,299,340</u>	<u>35,673,399</u>		<u>- 7,005,827</u>	<u>51,978,566</u>

13. DUE TO BANKS

The Company has short and long term Murabaha facilities with local commercial banks amounting to SR 370 million. As of March 31, 2010, the facilities have been fully utilized. The facilities are secured by promissory notes.

During the year, the Company concluded an agreement with the 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 Murabaha facility has various financial covenants with which the company was in compliance with as of March 31, 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED MARCH 31, 2010

14. ACCRUED EXPENSES AND OTHER LIABILITIES

	2010 SR	2009 SR
Rent	55,993,202	44,602,098
Employees' salaries and benefits	37,141,277	38,246,786
Payable to contractors and others	32,947,813	29,831,968
Provision for zakat and income tax (Note 16)	30,044,187	19,329,187
Royalty payable	23,121,431	8,666,407
Customs and shipping	9,602,232	7,795,407
Withholding tax	6,807,875	1,872,235
Interest payable	4,223,118	3,137,549
Utility	1,482,230	1,285,925
Others	17,606,576	17,109,922
	218,969,941	171,877,484

15. 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.

16. ZAKAT AND INCOME TAX

The principal elements of the zakat base for Fawaz Abdulaziz Al Hokair & Co. are as follows:

	2010 SR	2009 SR
Opening shareholders' equity less dividends	862,847,024	769,502,572
Income before zakat	239,329,626	206,218,314
Non-current liabilities and provisions	337,734,937	31,808,795
Non-current assets	(993,939,957)	(907,289,486)

Some of these amounts have been adjusted in arriving at the zakat charge for the year.

The movement in provision for zakat and income tax is as follows:

	2010 SR			2009 SR
	Fawaz Abdulaziz Al Hokair & Co.	Subsidiaries	Total	Total
Zakat				
Balance, April 1	12,244,268	7,084,919	19,329,187	11,870,187
Provision for the year	5,660,000	5,055,000	10,715,000	7,459,000
Balance, March 31 (Note 14)	17,904,268	12,139,919	30,044,187	19,329,187

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED MARCH 31, 2010

Income tax

	2010 SR	2009 SR
Provision for the year	644,456	-
Payment during the year	(644,456)	-
	-	-

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

	2010 SR	2009 SR
Zakat for current year	10,715,000	7,459,000
Income tax for current year	644,456	-
	11,359,456	7,459,000

During the year ended March 31, 2008, the Company received zakat assessment for the years ended March 31, 2002 to 2007 which showed additional claims from DZIT amounting to SR 13 million. The Company has objected on certain items amounting 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.

17. SELLING AND MARKETING EXPENSES

	2010 SR	2009 SR
Rent	332,554,049	250,507,030
Employees' salaries and benefits	176,362,244	157,594,624
Utilities and maintenance	19,676,017	23,351,576
Advertising and publishing	14,746,256	20,526,784
Packing materials	10,559,123	4,208,421
Travel	5,935,177	8,076,848
Insurance	663,193	917,655
Others	13,194,731	17,872,697
	573,690,790	483,055,635

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED MARCH 31, 2010

18. GENERAL AND ADMINISTRATIVE EXPENSES

	2010 SR	2009 SR
Employees' salaries and related expenses	38,677,496	33,720,363
Travel	2,720,885	2,287,785
Utility	3,419,743	2,913,360
Rent	2,212,532	1,653,902
Others	3,365,409	3,981,627
	<u>50,396,065</u>	<u>44,557,037</u>

19. OTHER INCOME, NET

	2010 SR	2009 SR
Foreign exchange gain	22,963,658	29,504,614
Income from sale of investment (Note 23)	15,600,000	-
Rental income	3,615,823	3,615,823
Key money	-	3,400,000
Management fee	-	2,512,900
Others	2,537,529	2,574,569
	<u>44,717,010</u>	<u>41,607,906</u>

20. CONTINGENT LIABILITIES AND COMMITMENTS

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

	2010 SR	2009 SR
Letters of guarantee	142,088,060	133,447,298
Letters of credit	142,486,180	119,248,629

As at March 31, 2010 the Company had outstanding forward currency contracts to sell US\$ 8.8 million and to buy Euro 6.5 million during April to July 2010 at fixed predetermined forward prices.

21. EARNINGS PER SHARE

Earnings per share from operating income and from net income for the year is calculated by dividing operating income and net income for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED MARCH 31, 2010

The outstanding number of shares used for calculating earning per share for the years ended March 31, 2010 and March 31, 2009 was 70 million shares.

22. DIVIDENDS

The shareholders in the Annual General Meeting dated June 17, 2008 resolved to distribute cash dividends of SR 122,500,000 (SR 1.75 per share) from the retained earnings as of March 31, 2008.

The Company's Board of Directors in their meeting dated October 20, 2008 resolved to distribute interim cash dividend of SR 122,500,000 (SR 1.75 per share).

23. SIGNIFICANT EVENTS DURING THE YEAR

- i) During the year the Company indirectly established a 100% owned partnership in Kazakhstan named "Retail Group Kazakhstan (RGK)" registered in the Republic of Kazakhstan. The indirect ownership has been assigned to the Company and accordingly the operations of Retail Group Kazakhstan have been consolidated. Later during the year, the Company sold a 15% share of this entity to a third party, a Kazakhstani national, for a total consideration of Euro 3million (equivalent to SR15.6 million) representing in large extent the gain realized from this sale of shares, which will be collected based on an agreed payment schedule. Currently, the Company is in process of finalizing the legal procedures to establish an entity which will be owned fully by the Company.

The major balances related to this subsidiary as of March 31, 2010 are as follows:

	<u>SR</u>
Total assets	17,108,108
Total liabilities	<u>(3,271,083)</u>
Net assets	13,837,025
Revenues	12,431,963
Expenses	<u>(9,754,138)</u>
Net income	<u>2,677,825</u>

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED MARCH 31, 2010

- ii) During the quarter ended March 2010 the shareholders resolved to acquire the following companies from the ultimate economic owners (the "shareholders") of Fawaz Abdulaziz Al Hokair & Co., with effect from April 1, 2010.

<u>Name of Company</u>	<u>Country of incorporation</u>	<u>Business activity</u>
1) Retail Group Egypt S.A.E	Egypt	Retail and Fashion Apparels
2) Retail Group Jordan Ltd.	Jordan	Retail and Fashion Apparels
3) Retail Group Gulf LLC	UAE	Retail and Fashion Apparels

The Company has signed a binding Memorandum of Understanding (MoU) with the current owner of these companies. The acquisition price, as per the MoU has been estimated at SR 72.2 million approximately. However, the final agreed price will be determined based on the audited financial statements of these companies as of March 31, 2010. Legal formalities to complete the acquisition were in process at the balance sheet date.

24. SEGMENT INFORMATION

The Company operates through its various retail outlets mainly scattered in the Kingdom of Saudi Arabia. The company started operations in Republic of Kazakhstan through Retail Group of Kazakhstan the results of which are not material to the consolidated financial statements (note 23).

25. 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's 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's financial assets and liabilities are not materially different from their carrying values.

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the balance sheet principally include cash and bank balances, prepayments and other assets, trade payables and accrued expenses 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 has no significant concentration of credit risk. Cash is substantially placed with national banks with sound credit ratings. Prepayment and other assets are carried net of provision for doubtful debts, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED MARCH 31, 2010

Commission rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company's financial position and cash flows. The Company monitors the fluctuations in commission rates and believes 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's transactions are principally in Saudi riyals, Euro and U.S. dollars. Management monitors the fluctuations in currency exchange rates, and the effect of the currency fluctuation was beneficial to the Company during the year.

Liquidity risk is the risk that Company will be unable to meet its funding requirements primarily for loan commitments. The Company maintains adequate funding to meet such obligations when they become due.

27. COMPARATIVE FIGURES

Certain figures for 2009 have been reclassified to conform with the presentation in the current year.