

PROSPECTUS

Offer of 12,000,000 shares representing 30% of Fawaz Abdulaziz AlHokair and Company through an Initial Public Offering at an Offer Price of SAR 110 per share



FAWAZ ABDULAZIZ ALHOKAIR AND COMPANY

A Saudi Joint Stock Company (under Conversion) in accordance with Ministerial Resolution No. 2237 dated 16/8/1427H (Corresponding to 9/9/2006G)

Offering Period from Saturday 15/9/1427H (corresponding to 7/10/2006G) to Monday 24/9/1427H (corresponding to 16/10/2006G)

Fawaz Abdulaziz AlHokair and Company (hereinafter referred to as "AlHokair" or the "Company") was formed as a Saudi general partnership with Commercial Registration Number 1010076209, dated 20 Sha'ban 1410H (corresponding to 17 March 1990G). On 4 Thul Hujja 1426H (corresponding to 4 January 2006G), the Company amended its legal status from a general partnership into a limited liability company. The Acting Minister of Commerce and Industry has, pursuant to resolution No. 2237 dated 16/8/1427H (corresponding to 9/9/2006G), authorized the Conversion of the Company from a limited liability company to a joint stock company. The share capital of the Company is SAR 400 million consisting of 40 million ordinary shares with a nominal value of SAR 10 each. Following completion of the Offering (as defined below) and the conclusion of the Conversion General Assembly Meeting, an application will be submitted to the Minister of Commerce and Industry requesting the announcement of the Conversion of the Company. The Company will be considered duly converted into a joint stock company from the date of the issuance of the Ministerial Resolution declaring its Conversion.

The Initial Public Offering (the "Offering") of up to 12,000,000 ordinary shares (the "Offer Shares") with a nominal value of SAR 10 each, all of which are fully paid, and with a premium of SAR 100 per Offer Share, representing 30% of the issued share capital of AlHokair, is directed at and may be accepted by natural Saudi nationals only. The Offer Shares are being sold by Fawaz Abdulaziz AlHokair, Salman Abdulaziz AlHokair, Dr. Abdul Majeed Abdulaziz AlHokair, FAS Saudi Holding Company and Fawaz Abdulaziz AlHokair and Company Holding Company, whose names appear on page iii (referred to collectively hereinafter as the "Selling Shareholders"), who collectively own 100% of the Shares of the Company at the date hereof. Upon completion of the Offering, it is expected that (assuming full subscription to the Offering) the Selling Shareholders will own collectively 70% of the Shares and will consequently retain a controlling interest in the Company. The net proceeds from the Offering will be distributed to the Selling Shareholders pro-rata based on each Selling Shareholder's percentage ownership in the Shares being sold in the Offering. The Company will not receive any part of the proceeds from the Offering. The Offering is fully underwritten by SABB (see "Underwriting" section).

The Offering will commence on Saturday 15/9/1427H (corresponding to 7/10/2006G) and will remain open for a period of 10 days up to and including Monday 24/9/1427H (corresponding to 16/10/2006G) (the "Offering Period"). Subscription to the Offer Shares can be made through branches of each of SABB (the "Sole Underwriter") and the selling agents (the "Selling Agents") during the Offering Period.

Each individual subscriber to the Offer Shares (the "Subscriber" and collectively referred to as the "Subscribers") must apply for a minimum of 10 Offer Shares. Each Subscriber may not apply for more than 25,000 Offer Shares. In the event of the Offering being oversubscribed, each Subscriber will be allocated a minimum of 10 Offer Shares with the remaining Offer Shares being allocated on a pro-rata basis. The Company does not guarantee the minimum allocation of 10 Offer Shares in the event that the number of Subscribers exceeds 1,200,000. In that case, the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds the number of Offer Shares, the allocation will be determined at the discretion of the CMA ("CMA" or the "Authority"). Excess subscription monies, if any, will be returned to Subscribers without any charge or withholding by the Selling Agents. Notification of the final allotment and refund of subscription monies, if any, will be made by Saturday 29/9/1427H (corresponding to 21/10/2006G).

Each Share entitles the holder to one vote and each shareholder (the "Shareholder") with at least 20 Shares has the right to attend and vote at the general assembly meeting (the "General Assembly Meeting"). The Offer Shares will be entitled to receive dividends declared by the Company starting from the date of the commencement of the Offering Period and for subsequent fiscal years (see "Dividend Record and Policy" section).

Prior to the Offering, there has been no public market for the Shares in Saudi Arabia or elsewhere. An application has been made to the CMA for the admission of the Shares to the Official List and all relevant approvals pertaining to this Prospectus and all other supporting documents requested by the CMA have been granted. Trading in the Shares is expected to commence on the Exchange soon after the final allocation of the Shares (see "Key Dates for Investors" section). Subsequent to Shares commencing trading, Saudi nationals as well as residents of Saudi Arabia, Gulf Cooperation Council ("GCC") nationals, companies, banks and funds, will be permitted to trade in the Shares.

The "Important Notice" and "Risk Factors" sections in this Prospectus should be considered carefully prior to making an investment decision in the Offer Shares hereby.

Financial Adviser and Lead Manager



Sole Underwriter



Selling Agents
SABB ساب



This Prospectus includes details given in compliance with the Listing Rules of the Capital Market Authority of Saudi Arabia. Current Directors, whose names appear on page iii; collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and the Saudi Arabian Stock Exchange take no responsibility for the contents of this document, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

This Prospectus is dated 1/9/1427H (corresponding to 23/9/2006G)

English Translation of the Official Arabic Prospectus

Important Notice

This Prospectus provides full details of information relating to Fawaz Abdulaziz AlHokair and Company (“AlHokair”) and the Shares being offered. In applying for Offer Shares, investors will be treated as applying on the basis of the information contained in the Prospectus, copies of which are available for collection from the Sole Underwriter and Selling Agents (as defined below) or by visiting both the Company’s website (www.alhokair.com.sa) and the CMA website (www.cma.org.sa).

HSBC Saudi Arabia limited (“HSBC”) has been appointed by the Company to act as Financial Adviser and Lead Manager and the Saudi British Bank (“SABB”) has been appointed by the Company to act as the Sole Underwriter (“Sole Underwriter”) in relation to the Offer Shares described herein.

This Prospectus includes details given in compliance with the Listing Rules of the CMA. Current Directors, whose names appear on page iii; collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and the Saudi Arabian Stock Exchange take no responsibility for the contents of this document, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of the market and industry information herein are derived from external sources, and while neither HSBC nor the Company’s advisers has any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial state of the Company and the value of the Shares may be adversely affected by future developments in inflation, interest rates, taxation, or other economic, political and other factors, over which the Company has no control. Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the Offer Shares is intended to be, or should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of AlHokair, the Selling Shareholders or any of their advisers to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and for considering the appropriateness of the information herein, with regard to individual objectives, financial situations and needs.

The Offering is being made to, and is only capable of acceptance by, nationals of Saudi Arabia. The distribution of this Prospectus and the sale of the Offer Shares to any other person or in any jurisdiction is expressly prohibited. The Company, Selling Shareholders, and Lead Manager require recipients of this Prospectus to inform themselves about and to observe all such restrictions.

IMPORTANT NOTICE

Financial Information

The audited financial statements for the years ended 31 March 2003G, 2004G, 2005G and 2006G and the notes thereto, each of which are incorporated elsewhere in the Prospectus, have been prepared in conformity with the Saudi Organization for Certified Public Accountants ("SOCPA") Generally Accepted Accounting Principles. The Company publishes its financial statements in Saudi Arabian Riyals.

Forecasts and Forward Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain statements in this Prospectus constitute "forward-looking-statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "believes", "expects", "may", "will", "should", or "are expected", "would be", "anticipates" or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (see "Risk Factors" section). Should any one or more of the risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus, as anticipated, believed, estimated, planned or expected.

Subject to the requirements of the Listing Rules, AlHokair shall submit a supplementary prospectus to the CMA if at any time after this Prospectus has been approved by the CMA and before admission of AlHokair shares to the official list AlHokair becomes aware that: (i) there has been a significant change in material matters contained in this Prospectus or any document required by the Listing and Admission Rules; or (ii) additional significant matters have become known to AlHokair which would have been required to be included in this Prospectus. Except for the two events mentioned in the preceding sentence, AlHokair does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Corporate Directory

Current Directors

Name	Title
Fawaz Abdulaziz AlHokair	Chairman
Dr. Abdul Majeed Abdulaziz AlHokair	Chief Executive Officer
Salman Abdulaziz AlHokair	Manager

Proposed Directors of the Company Following Conversion

The proposed Board of Directors (upon Conversion) will comprise 7 members constituting the Current Directors in addition to Mr. Mansour Al Ajlan, Mr. Ali Al Gaith and two independent members. The proposed new four members will be voted during the Constituent Meeting after the completion of this Offering. The table below lists the names of Directors following Conversion:

Name	Title
Fawaz Abdulaziz AlHokair	Chairman
Dr. Abdul Majeed Abdulaziz AlHokair	Director and CEO
Salman Abdulaziz AlHokair	Director
Mansour Al Ajlan	Director representing FAH*
Ali Al Ghaith	Director representing FAS**
To Be Appointed	Directors
To Be Appointed	Directors

* FAS Saudi Holding Company

** Fawaz Abdulaziz AlHokair and Company Holding Company

Fawaz Abdulaziz AlHokair and Company



Company Address	Al-Shumasi Street P.O. Box 359 Riyadh 11411 Kingdom of Saudi Arabia
Company Representative	Dr. Abdul Majeed Abdulaziz AlHokair
Representative for Shareholders Affairs	Mansour Al-Ajlan
Board of Directors Secretary	Tariq A. Khan

Share Registrar

TADAWUL  تداول

Tadawul
Abraj Attuwenya
700 King Fahad Road
P.O. Box 60612
Riyadh 11555
Kingdom of Saudi Arabia

Advisers

Financial Adviser and Lead Manager

HSBC 

HSBC Saudi Arabia Limited
King Abdullah Road
P.O. Box 9084
Riyadh 11413
Kingdom of Saudi Arabia
Tel. + 966 1 470 3128
Fax. + 966 1 470 6930

Legal Adviser

Law Office of Mohammed Al-Sheikh
King Fahad Road
P.O. Box 17411
Riyadh 11484
Kingdom of Saudi Arabia
Tel: +966 1 464 4006
Fax: +966 1 464 1348

Registered Auditors and Reporting Accountants

Deloitte 

Deloitte & Touche Bakr Abulhair & Co.
P.O. Box 213
Riyadh 11411
Kingdom of Saudi Arabia
Tel: +966 1 463 0018
Fax: +966 1 463 0865

Market Consultant

 **EUROMONITOR
INTERNATIONAL**

Euromonitor International
60-61 Brighton Street
London, AC1 M5UX
United Kingdom
Tel: +44 (0) 20 7251 8024
Fax: +44 (0) 20 7608 3149

ADVISERS

Sole Underwriter



The Saudi British Bank
Prince Abdulaziz bin Musa'ed bin Jlawy Street
P.O. Box 9084, Riyadh 11413 – Kingdom of Saudi Arabia
Tel: +966 (1) 405 0677
Fax: +966 (1) 405 0660

Selling Agents



The Saudi British bank
Prince Abdulaziz bin Musa'ed bin
Jlawy Street
P.O. Box 9084, Riyadh 11413
Kingdom of Saudi Arabia
Tel: +966 (1) 405 0677
Fax: +966 (1) 405 0660



Samba Financial Group
King Abdulaziz Road
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Kingdom of Saudi Arabia
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Fax: +966 (1) 479 9402



Al Rajhi Banking &
Investment Corporation
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Fax: +966 (1) 462 4311



National Commercial Bank
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Fax: +966 (2) 643 7426



Arab National Bank
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The Saudi Investment Bank
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Kingdom of Saudi Arabia
Tel: +966 (1) 478 6000
Fax: +966 (1) 477 6781



Riyad Bank
King Abdulaziz Road
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Kingdom of Saudi Arabia
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Fax: +966 (1) 404 2618



Banque Saudi Fransi
Maathar Street
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Kingdom of Saudi Arabia
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Fax: +966 (1) 404 2311



Bank Al Bilad
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Kingdom of Saudi Arabia
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Bank Al Jazira
Khalid bin Alwalid Street
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Fax: +966 (2) 653 2478



Saudi Hollandi Bank
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Jlawy Street
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Fax: +966 (1) 403 1104

The Offering

Offer Price	SAR 110
Total number of issued Shares	40,000,000 fully paid ordinary shares
Number of Offer Shares	12,000,000 fully paid ordinary shares
Percentage of Offer Shares	The Offer Shares represent 30% of the Company's issued share capital
Nominal Value	SAR 10 per share
Total value of Offer Shares	SAR 1,320,000,000
Number of Offer Shares underwritten	12,000,000 shares
Amount underwritten	SAR 1,320,000,000
Minimum number of Offer Shares to be applied for	10 shares
Minimum subscription amount	SAR 1,100
Maximum number of Offer Shares to be applied for	25,000 shares
Maximum subscription amount	SAR 2,750,000

	<u>Pre-Offering</u>		<u>Post-Offering</u>	
	<u>Shares</u>	<u>Percent</u>	<u>Shares</u>	<u>Percent</u>
Selling Shareholders				
Fawaz Abdulaziz AlHokair	4,000,000	10.00%	2,800,000	7.00%
Salman Abdulaziz AlHokair.....	4,000,000	10.00%	2,800,000	7.00%
Dr. Abdul Majeed Abdulaziz AlHokair	4,000,000	10.00%	2,800,000	7.00%
FAS Saudi Holding Company	14,000,000	35.00%	9,800,000	24.50%
Fawaz Abdulaziz AlHokair and Company	14,000,000	35.00%	9,800,000	24.50%
Holding Company				
Total - Selling Shareholders	40,000,000	100.00%	28,000,000	70.00%
Total - Subscribers	0	0.00%	12,000,000	30.00%
Total	40,000,000	100.00%	40,000,000	100.00%

Use of proceeds..... The net proceeds of the Offering will be paid to the Selling Shareholders pro-rata based on each Selling Shareholder's percentage ownership in the Shares being sold in the Offering. The Company will not receive any proceeds from the Offering.

Allocation of Offer Shares..... Allocation of the Offer Shares is expected to be completed on or around Saturday 29/9/1427H (corresponding to 21/10/2006G). In the event of the Offering being oversubscribed, each investor will be allocated a minimum of 10 Offer Shares with the remaining Offer Shares being allocated on a pro-rata basis. The Company does not guarantee the minimum allocation of 10 Offer Shares in the event that the number of Subscribers exceeds 1,200,000. In that case, the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds the number of Offer Shares, the allocation will be determined at the discretion of the CMA.

Offering period..... The Offer will commence on Saturday 15/9/1427H (corresponding to 7/10/2006G) and will remain open for a period of 10 days up to and including Monday 24/9/1427H (corresponding to 16/10/2006G)

THE OFFERING

Dividends	The Offer Shares will be entitled to receive dividends declared by the Company starting from the commencement of the Offering Period and for subsequent fiscal years. For a discussion of the Company's dividend policy, see " <i>Dividend Record and Policy</i> " section.
Voting rights	The Company has only one class of Shares and no Shareholder has any preferential voting rights. Each Share entitles the holder to one vote and each Shareholder holding at least 20 Shares has the right to attend and vote at the General Assembly Meeting. For a discussion of the Company's voting rights, see " <i>Voting Rights</i> " section.
Share restrictions	The Selling Shareholders may not dispose of any Shares during the period of 6 months from the date on which trading of the Offer Shares commences on the Exchange. After the 6-month share-restriction period has elapsed, the Selling Shareholders may dispose any of their Shares only after obtaining CMA approval.
Listing of shares	Prior to the Offering, there has been no public market for the Shares in Saudi Arabia or elsewhere. An application has been made to the CMA for the admission of the Shares to the Official List and all relevant approvals pertaining to this Prospectus and all other supporting documents requested by the CMA in addition to all relevant regulatory approvals required to conduct the Offering have been granted. Trading is expected to commence on the Exchange soon after the final allocation of the Shares. (see " <i>Key Dates for Investors</i> " section.)
Risk factors	There are certain risks relating to an investment in this Offering. These risks can be categorized into (i) Risks relating to the Company's operations; (ii) Risks relating to the market; and (iii) Risks relating to ordinary shares. These risks are described in the " <i>Risk Factors</i> " section of this Prospectus, and should be considered carefully prior to making an investment decision in the Offer Shares.

Key Dates for Investors

OFFERING TIMETABLE	DATE
Offering period	From Saturday 15/9/1427H (corresponding to 7/10/2006G) to Monday 24/9/1427H (corresponding to 16/10/2006G)
Last date for submission of application form and subscription monies	Monday 24/9/1427H (corresponding to 16/10/2006G)
Notification of final allotment and refund of funds (in the event of over-subscription)	Saturday 29/9/1427H (corresponding to 21/10/2006G)
Start date of trading of Offer Shares*	Upon completion of all relevant procedures

*Actual dates will be communicated through national press announcements.

How to Apply

Subscription Application Forms will be available during the Offering Period at the branches of SABB and the Selling Agents. The forms must be completed in accordance with the instructions described in the “*Subscription Terms and Conditions*” section of this Prospectus. Subscription may also be made through the Internet, banking phone or ATMs at any of the receiving banks, which offer such services to the subscribers who have recently participated in previous initial public offerings, provided that the following requirements are satisfied:

- ▶ the subscriber must have a bank account at the receiving bank which offer such services; and
- ▶ there should have been no changes in the personal information of the subscriber by way of exclusion or addition of any member of his family.

Summary of Key Information

This summary of key information aims to give an overview of the information contained in this Prospectus. As it is a summary, it does not contain all of the information that may be important to interested Subscribers. Recipients of this Prospectus should read the whole Prospectus before making a decision as to whether or not to invest in the Company. Capitalized and abbreviated terms have the meanings ascribed to such terms in the "Definitions and Abbreviations" section and elsewhere in this Prospectus.

The Company

Fawaz Abdulaziz AlHokair and Company (hereinafter referred to as "AlHokair" or the "Company") was formed as a general partnership on 20 Sha'ban 1410H (corresponding to 17 March 1990G) in Riyadh, Saudi Arabia under Commercial Registration Number 1010076209.

On 4 Thul Hejja 1426H (corresponding to 4 January 2006G), the Company converted its legal status from a general partnership into a limited liability company. Thereafter, the Company was converted from a limited liability company into a joint stock company in accordance with the Resolution of the Acting Minister of Commerce and Industry No. 2237 dated 16/8/1427H (corresponding to 9/9/2006G).

The share capital of the Company is SAR 400 million divided into 40 million fully paid ordinary shares with a par value of SAR 10 each. Following completion of the Offering and the conclusion of the Conversion General Assembly Meeting, an application will be submitted to the Minister of Commerce and Industry requesting the announcement of the Conversion of the Company. The Company will be considered duly converted into a joint stock company from the date of issuance of the Ministerial Resolution declaring its Conversion. The Selling Shareholders will collectively own 70% of the Company's capital following the completion of the Offering.

AlHokair was established in 1990G as a retail and wholesale trade in ready-made clothes, shoes, textile and perfumes. The Company identified an opportunity to grow the business in fashion retail and developed a strategy to do so based on franchise relationships, seeking out potential international partners for their market. Their development strategies concentrated on relationship retailing, facilitation and product flow management.

AlHokair is recognized as a market leader in fashion retailing in Saudi Arabia. The Company is focused on mid market brands, where it has and continues to introduce new franchises into the Kingdom. Its broad portfolio of brands covers all major sectors of the branded apparel market, which include womenswear, childrenswear, menswear, footwear, eyewear and department stores. As of 31 March 2006G, the Company operated 617 stores Kingdom wide and represented over 42 international retail brands. Furthermore, the last 3 years have seen high growth in the business, which puts AlHokair in a strong position within the Saudi fashion retail market.

SUMMARY OF KEY INFORMATION

Vision

AlHokair vision is to “maintain a leading position in the retail market in the Kingdom of Saudi Arabia and to be a preferred partner for leading international brands, through offering quality value for money to all customers”.

Key Strengths

Market leader with reputation for delivery

AlHokair occupies a reputable market position among the leading retail organizations in the Kingdom of Saudi Arabia and the GCC, and is considered one of the most preferred partners for recognised international brands due to its wide offering of value for money quality products to all customers.

Established relationships with global companies

AlHokair is a leading player in the Saudi market for international branded fashion. Over the years, the Company established strong relationships with some of the most prominent international retail brands and benefited from their know-how and experience, which resulted in capturing the essence of retail franchising and building long term relationship with the franchisor. These strategic alliances with some of the most successful mid-market brands in the world helped AlHokair build the largest fashion retail presence in the Kingdom.

Diversified brand portfolio

The Company offers a wide range of brands, which cover key sectors including womenswear, childrenswear, menswear, footwear, eyewear and home furnishing. These brands are primarily targeted to the mid market segment allowing AlHokair to tap into a large population base.

Experienced management team and workforce

AlHokair commitment to a value-driven corporate culture has enabled the Company to attract and retain a qualified workforce. Since inception, the Company has been recruiting, retaining and developing its management team. The Company believes that its experienced management team and work force has equipped it to adapt to the rapidly changing fashion retail market in the Kingdom. In order to retain this advantage and further enhance it, the Company is in the process of appointing international human resources consulting company to help in introducing and implementing state of the art human resources strategies, policies and systems.

Economies of scale

The Company counts on its ability to lower costs through economies of scale for lease rentals, bulk purchasing, and quality manpower, and a fully integrated logistics and information technology model.

Strong growth record

The Company has expanded rapidly over the last few years, as reflected in the financial record and number of stores opened. In the 3 years from March 2003G to March 2005G, revenue and net income have grown at compound annual growth rates of 32% and 41%, respectively. The Company believes that there is considerable potential for expansion of the store portfolio within Saudi Arabia due to the market size, customers' purchasing power and population growth and expects to open additional 207 stores within the next five years.

SUMMARY OF KEY INFORMATION

The exhibit below illustrates the Company's historical performance:

Historical Performance for the Company (SAR '000)

	Year Ended 31 March		
	2003	2004	2005
Retail sales	572,459	736,626	999,277
Gross profit	299,101	372,684	474,698
Net income	88,106	109,510	174,463
Store Numbers	335	361	451

Source: AlHokair

Pricing advantage

AlHokair low cost base combined with its ability to source products at competitive prices has given the Company a powerful pricing advantage over other retailers. The low cost approach has been a major contributor to the Company's success.

Sourcing, buying and merchandising

The Company negotiates directly with suppliers around the world, taking advantage of a number of long standing supplier relationships. Product capacity is secured early and large orders are placed, contributing to AlHokair's ability to purchase products at very competitive prices. The Company believes that the full implementation of its visual merchandising strategy will assist in exploiting the regularity of customer visits to achieve a higher average spend per customer. This taken in association with planned improvements to the Company's supply chain management and stock replenishment systems.

Total customer focus

The Company uses daily in-store sales data from its retail store managers to provide appealing fashion trends to customers and to modify existing designs to meet customer preferences at the right prices. AlHokair aims to offer products at attractive prices in comparison to other speciality retailers, with a core policy focused on surveying market prices, offering higher quality and more fashionable products at affordable prices.

Prime locations

The Company provides a continuous flow of fresh products, with stores typically located in prime retail locations on premier commercial streets, and in upscale shopping centres. AlHokair's attractive locations and superior store design, combined with appealing presentation of products in exterior display and throughout the stores allow the Company to continuously stay abreast and ahead of new trends in the fashion retail market. In addition, the Company places substantial emphasis on enhancing the shopping experience at the stores by displaying a wide selection of merchandise that can be viewed by customers, permitting purchases to be made using all major credit cards and by accepting merchandise return and exchange. These features make shopping at AlHokair stores enjoyable and maximize customers' traffic by encouraging repeat visits.

Summary Financial Information

The selected financials presented below should be read in conjunction with the audited financial statements as at and for the years ended 31 March 2003G, 2004G, 2005G and 2006G including in each case, the notes thereto, each of which are included elsewhere in this Prospectus.

Key Financial Highlights (SAR '000)

	Year Ended 31 March			
	2006	2005	2004	2003
Operational Performance				
Retail sales	1,293,672	999,277	736,626	572,459
Cost of sales	(684,991)	(524,579)	(363,942)	(273,358)
Gross profit	608,681	474,698	372,684	299,101
Other Expenses	(374,749)	(307,111)	(264,813)	(212,306)
Other income, net	12,419	6,876	1,639	1,311
Net income	246,351	174,463	109,510	88,106
Financial Condition				
Current assets	403,665	310,534	212,677	212,691
Total assets	759,000	602,769	475,262	476,592
Current liabilities	217,524	148,578	111,573	110,279
Total liabilities	232,185	166,351	140,068	150,328
Shareholders' equity	526,815	436,418	335,194	326,264
Cash Flows				
Cash flow from operating activities	386,367	166,280	115,901	101,173
Cash flow from investing activities	(129,199)	(60,000)	(43,401)	(112,697)
Cash flow from financing activities	(247,035)	(106,681)	(111,366)	40,193
Cash at end of period	12,654	2,521	2,922	41,788
Key Indicators				
Gross profit margin (%)	47.05%	47.50%	50.59%	52.25%
Net profit Margin (%)	19.04%	17.46%	14.87%	15.39%
Current ratio (times)	1.85x	2.09x	1.90x	1.93x
Total liabilities to total assets (%)	30.59%	27.60%	29.47%	31.54%
Total liabilities to equity (%)	44.07%	38.12%	41.79%	46.08%
Return on equity (%)	46.76%	39.98%	32.67%	27.00%
Return on assets (%)	32.46%	28.94%	23.04%	18.49%

Source: Audited Financial Statements
Above figures are rounded

Contents

1.	Definitions and Abbreviations	1
2.	Risk Factors	4
2.1	Risks Relating to the Company's Operations	4
2.2	Risks Related to the Market	6
2.3	Risks Related to Ordinary Shares	7
3.	Industry Overview	8
3.1	Apparel Market Overview	8
3.2	Branded Fashion Apparel in Saudi Arabia	9
3.3	Franchising Market in Saudi Arabia	10
3.4	Market Segments	10
3.5	The Development of Shopping Malls in Saudi Arabia	12
3.6	The Effect of Economic Environment on Apparel Market	12
4.	The Company	13
4.1	Introduction	13
4.2	Fawaz Abdulaziz AlHokair and Company Subsidiaries	19
4.3	Company History	20
4.4	Vision	21
4.5	Strategy and Future Developments	22
4.6	Key Strengths	23
4.7	Future Prospects	25
5.	Key Products and Markets	27
5.1	Products and Markets	27
5.2	The Groups And Brands	29
6.	Operational and Support Functions	44
6.1	Information Technology	44
6.2	Finance, Information and Support	45
6.3	Operations Controller	45
7.	Corporate Structure	47
7.1	Current Director and Senior Management	47
7.2	Corporate Governance	50
7.3	Responsibility of Key Board Members	52
7.4	Remuneration of Board Members and Schedule of Meetings	54
7.5	Remuneration of Directors	55
7.6	Employees	55
7.7	Declaration of Directors and Key Officers	56
8.	Accountants Report	57
9.	Management's Discussion and Analysis of Financial Condition and Results of Operations	75
9.1	Current Directors' Declaration for Financial Information	75
9.2	Results of Operations	75
9.3	Financial Condition, Liquidity and Other Items	81
9.4	Statement of Management's Responsibility for Financial Information	84
10.	Dividend Record and Policy	85
11.	Capitalization and Indebtedness	86
12.	Use of Proceeds	87
13.	Description of the Shares	88
13.1	Share Capital	88
13.2	Shareholders' Rights	88
13.3	Shareholders Assemblies	89
13.4	Voting Rights	90
13.5	The Shares	90
13.6	Duration of the Company	90
13.7	Dissolution and Winding-up of the Company	91
14.	Summary of the Company's By-Laws	92
15.	Legal Information	100
15.1	Franchise and Distribution Agreements	100
15.2	Financing Agreements	103
15.3	Lease Agreements	103

CONTENTS

15.4	Insurance Policies	104
15.5	Trademarks	105
15.6	Investments	105
15.7	Related Party Transactions	106
15.8	Litigation	106
16.	Underwriting	108
16.1	Underwriters	108
16.2	Summary of Underwriting Arrangement	108
17.	Subscription Terms and Conditions	110
17.1	Subscription to Offer Shares	110
17.2	Allocation and Refunds	112
17.3	Acknowledgements	112
17.4	Miscellaneous	113
17.5	The Saudi Arabian Stock Exchange (Tadawul)	113
17.6	Trading on Tadawul	114
18.	Recent Development	115
18.1	Auditors' Report for the Year Ended 31 March 2006G	116
18.2	Management's Discussion and Analysis for Financial Statements of the Year ended 31 March 2006G	132
18.3	Current Directors' Declaration for Financial Information	132
19.	Documents Available for Inspection	140

Exhibits

Exhibit 3-1: Market Size	8
Exhibit 3-2: Sales by Major Cities for 2005G	9
Exhibit 3-3: Total Sales of Branded Apparel	10
Exhibit 3-4: Company Market Share for 2005G	10
Exhibit 4-1: AlHokair Ownership Structure	14
Exhibit 4-2: AlHokair Company and Related Cross Ownership	14
Exhibit 4-3: Ownership Structure of FAS Saudi Holding Company	15
Exhibit 4-4: Ownership Structure of Fawaz Abdulaziz AlHokair and Company Holding Company	15
Exhibit 4-5: Ownership Structure of Haifa Aljazira Company Limited	16
Exhibit 4-6: Current Ownership Structure of Haifa Aljazira Company Limited	16
Exhibit 4-7: Structure of Arabian Centers Company Limited	17
Exhibit 4-8: Current Ownership Structure of Arabian Centers	17
Exhibit 4-9: Ownership Structure of AlFaridah Trading Agencies Company	17
Exhibit 4-10: Current Ownership Structure of AlFaridah	18
Exhibit 4-11: Ownership Structure of AlFaridah Telecoms	18
Exhibit 4-12: Ownership Structure of AlFaridah Telecoms	18
Exhibit 4-13: Haifa B. Al-Kalam and Shareholders International Company for Trading	19
Exhibit 4-14: Current Ownership Structure of Al-Kalam	19
Exhibit 4-15: Ownership Structure of Al-Waheedah Equipment Company Limited	20
Exhibit 4-16: Current Ownership Structure of Al-Waheedah post amendment	20
Exhibit 4-17: Growth in Franchise Business 1997-2004	21
Exhibit 4-18: Company Trademarks by Segment	23
Exhibit 4-19: Historical Performance of the Company (SAR '000)	24
Exhibit 6-1: AlHokair Management Structure	44
Exhibit 7-1: Current Directors	47
Exhibit 7-2: AlHokair Board of Directors upon Conversion	47
Exhibit 7-3: AlHokair Senior Management	49
Exhibit 7-4: AlHokair Current Audit Committee Members	51
Exhibit 7-5: AlHokair Current Executive Committee Members	52
Exhibit 7-6: Number of Employees by Division	55
Exhibit 9-1: Summary Income Statements (SAR '000)	76
Exhibit 9-2: Income Statements as a Percentage of Retail Sales	76
Exhibit 9-3: Number of Brands and Stores of AlHokair	76
Exhibit 9-4: Distribution of Stores and Sales by Region	77
Exhibit 9-5: Sales by Highest Income Generating Brands (SAR '000)	77
Exhibit 9-6: Statements of Operating Income (SAR '000)	78
Exhibit 9-7: Breakdown of Other Income	78
Exhibit 9-8: Cost of Sales (SAR '000)	79
Exhibit 9-9: Selling and Marketing Expenses (SAR '000)	79
Exhibit 9-10: General and Administrative Expenses (SAR '000)	80
Exhibit 9-11: Net Income (SAR '000)	80
Exhibit 9-12: Summary of Cash Flow Statements (SAR '000)	81
Exhibit 9-13: Summary of Operating Cash Flows (SAR '000)	81
Exhibit 9-14: Summary of Investing Cash Flows (SAR '000)	82
Exhibit 9-15: Breakdown of Fixed Assets (SAR '000)	82
Exhibit 9-16: Summary of Financing Cash Flows (SAR '000)	83
Exhibit 9-17: Summary of Working Capital (SAR '000)	83
Exhibit 9-18: Commitments and Contingencies (SAR '000)	83
Exhibit 11-1: AlHokair Capitalization	86
Exhibit 11-2: AlHokair Ownership Structure	86
Exhibit 15-1: Facilities Granted to the Company	103
Exhibit 15-2: Insurance policies granted to the Company	104
Exhibit 15-3: Trademarks	105
Exhibit 18-1: Summary Income Statement (SAR '000)	132
Exhibit 18-2: Income Statement as a Percentage of Retail Sales	133
Exhibit 18-3: Number of Brands and Stores of AlHokair	133
Exhibit 18-4: Distribution of Stores and Sales by Region	133
Exhibit 18-5: Sales by Highest Income Generating Brands (SAR '000)	134
Exhibit 18-6: Statement of Operating Income (SAR '000)	135
Exhibit 18-7: Cost of Sales (SAR '000)	135
Exhibit 18-8: Selling and Marketing Expenses (SAR '000)	135
Exhibit 18-9: General and Administrative Expenses (SAR '000)	136

CONTENTS

Exhibit 18-10: Net Income (SAR '000)	136
Exhibit 18-11: Summary of Cash Flow Statement (SAR '000)	137
Exhibit 18-12: Summary of Operating Cash Flows (SAR '000)	137
Exhibit 18-13: Summary of Investing Cash Flows (SAR '000)	137
Exhibit 18-14: Breakdown of Fixed Assets (SAR '000)	138
Exhibit 18-15: Summary of Financing Cash Flows (SAR '000)	138
Exhibit 18-16: Summary of Working Capital (SAR '000)	138
Exhibit 18-17: Commitments and Contingencies (SAR '000)	139

1. Definitions and Abbreviations

Term	Definition
Advisers	The Company and Selling Shareholders' advisers with respect to the Offering whose names appear on page iv
AlHokair or the Company	Fawaz Abdulaziz AlHokair and Company
Al-Waheedah Limited	Al-Waheedah Equipment Company Limited
Al-Kalam Trading	Haifa B. Al-Kalam and Shareholders International Company for Trading
Audited Financial Statements	The financial statements of the Company as at and for the years ended 31 March 2003G, 2004G, 2005G and 2006G and notes thereto, all of which were audited by Deloitte & Touche Bakr Abulkhair & Co.
Board of Directors or Board	The Company's Board of Directors post Conversion
Bylaws	The Company's Bylaws becoming effective on the Conversion of the Company to a joint stock company
CMA or the "Authority"	The Capital Market Authority, including where the context permits any committee, sub-committee, employee or agent to whom any function of the Authority may be delegated
Conversion	The conversion of AlHokair from a limited liability company to a joint stock company
Current Directors	Fawaz Abdulaziz AlHokair, Dr. Abdul Majeed Abdulaziz AlHokair and Salman Abdulaziz AlHokair. Shareholders for any given period are owners of the shares for that period.
Directors	The Board members whose names appear on page iii
DZIT	Directorate of Zakat and Income Tax
EBCZDA	Earnings before Bank Charges, Zakat, Depreciation and Amortization
Exchange	The Saudi Stock Exchange including where the context permits any committee, sub-committee, employee, officer, servant or agent to whom any function of the Exchange may for the time being be delegated, and "on the Exchange" means any activity-taking place through or by the facilities provided by the Exchange. Pending the establishment of the Exchange, any reference to the Exchange shall be construed as a reference to Tadawul.
FAH	Fawaz Abdulaziz AlHokair and Company Holding Company
FAS	FAS Saudi Holding Company
Financial Adviser	HSBC Saudi Arabia Limited appointed by the Company to act as the Financial Adviser and Lead Manager in connection with the Offering
Franchise or Distribution Agreements ...	The rights awarded to Fawaz Abdulaziz AlHokair and Company to sell, distribute or use products carrying a specific commercial name
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
Government	Government of Saudi Arabia

DEFINITIONS AND ABBREVIATIONS

Term	Definition
HSBC	HSBC Saudi Arabia Limited
Kingdom	Kingdom of Saudi Arabia
Lead Manager	HSBC Saudi Arabia Limited appointed by the Company in relation to the Offering
The Underwriter or Sole Underwriter	SABB appointed by the Company in relation to the Offering
Listing Rules	The Listing Rules issued by the CMA pursuant to Article 6 of the Capital Market Regulations promulgated under Royal Decree No. M/30 dated 2/6/1424H (corresponding to 31/7/2003G)
Management	The management of the Company
MoCI	Ministry of Commerce and Industry
Offer Price	SAR 110 per share
Offer Shares	12,000,000 ordinary shares
Offering or IPO	The initial public offering of 12,000,000 ordinary shares representing 30% of the issued share capital of AlHokair
Offering Period	The period starting from 15/9/1427H (corresponding to 7/10/2006G) up to and including 24/9/1427H (corresponding to 16/10/2006G)
Official Gazette	Um Al Qura, the official Gazette of the Government of Saudi Arabia
Official List	The list of securities maintained by the CMA in accordance with the Listing Rules
Person	A natural person
Prospectus	This document prepared by the Company in relation to the Offering
Regulations for Companies	The Regulations for Companies issued under Royal Decree No. M/6, dated 22/3/1385H, as amended
SABB	The Saudi British Bank
SAR	Saudi Arabian Riyal
Saudi Arabia or KSA	Kingdom of Saudi Arabia
Selling Agents (Receiving Banks)	Saudi British Bank, Al-Rajhi Banking & Investment Corporation, Samba Financial Group, National Commercial Bank, Saudi Investment Bank, Bank Al-Jazira, Bank Al-Bilad, Arab National Bank, Riyadh Bank, Saudi Hollandi Bank and Banque Saudi Fransi
Selling Shareholders	Fawaz Abdulaziz AlHokair, Salman Abdulaziz AlHokair, Dr. Abdul Majeed Abdulaziz AlHokair, FAS Saudi Holding Company and Fawaz Abdulaziz AlHokair and Company Holding Company
Shareholders	The holders of the shares as of any particular time
Shares	40,000,000 fully paid ordinary shares of the Company with a nominal value of SAR 10 each
SOCPA	Saudi Organization for Certified Public Accountants
Subscriber	Each Saudi citizen subscribing to the offer shares
Subscription Application Form	Application form to subscribe to the Offer Shares
Tadawul	Automated system for trading of Saudi shares
TCCL	Trade Centre Company Limited
Commercial Title or Trade Mark	A name used to recognize a product marketed by Fawaz Abdulaziz AlHokair and Company

DEFINITIONS AND ABBREVIATIONS

Term	Definition
UK	United Kingdom
Underwriting Agreement	The underwriting agreement among the Selling Shareholders, the Company and the Underwriter
USA	United States of America
WTO	World Trade Organization

2. Risk Factors

In considering an investment in the Offer Shares, prospective investors should carefully consider all the information contained in this Prospectus, including the risks described below. AlHokair business, prospects, financial condition, results of operations and cash flows could be adversely and materially affected if any of the following risks, which the Company's management (the "Management") currently believes to be material, or any other risks that the Management has not identified or that it currently considers not to be material, actually occur or become material risks. The trading price of the Company's Offer Shares could decrease due to any of these risks, and prospective investors may lose all or part of their investment.

2.1 Risks Relating to the Company's Operations

2.1.1 Non-Performing Brands

The Company is committed to bringing mid market brands available from around the world into the Saudi market. It is very unusual for a particular brand to fail from the start, but this can occur at times, some brands may decline over a number of years, due to competitive activity or lack of partner support. The business will obviously try to trade through difficult patches with struggling brands but on occasions, in order to mitigate this risk, the Company may have to make decisions to discontinue certain brands, where future prospects are limited, in order to maintain the profit performance of the Company.

2.1.2 Unprofitable Stores

The Company has developed a very detailed profit and loss review document. The information that is supplied on a monthly basis reviews the performance of each and every store by brand and region. It shows the sales density per metre of trading space and how the costs to operate vary across the business. However, depending on various external factors including change in market conditions, geographic concentration, customer behaviour or fashion trends, some stores may not perform as was initially expected in which time the Company may choose to shut down or modify these stores to meet the Company's overall objectives.

2.1.3 Terminal Stock

In the fashion retail business, one of the biggest risks is the fashion retailers' ability to sell its products. Redundant stock at planned levels ties up capital and impacts the potential growth of the business. AlHokair has remained committed over the years to sell its merchandise within the season it is purchased. It is important for a fashion retailer to clear its merchandise, using markdown and reduced margin to keep its aged stock in line, otherwise its cash flow would be affected and the business would find it difficult to continue trading. This risk is mitigated by the fact that significant proportions of suppliers either sell on a consignment basis or have stock buy-back agreements with the Company.

2.1.4 Expansion Strategy

The Company's financial condition and future growth could be adversely affected if its expansion strategy is unsuccessful. Nonetheless, AlHokair has grown over recent years and intends to continue to expand the number and variety of brands offered.

RISK FACTORS

AlHokair ability to manage this expansion will depend on the Company's ability to continue to implement and improve operational, financial and management information systems on a timely basis and to expand, train, motivate and manage the workforce. Failure to increase sales in existing and/or new markets may result in AlHokair not being able to recover distribution, promotional and marketing expenses, as well as administrative costs incurred in developing such markets. However, the Company's track record has shown that AlHokair has, over the years, managed to identify and benefit from winning concepts in a majority of the brands that they have added on.

2.1.5 Competition

It is common for international franchise agreements to include non-competition clauses restricting a local franchisee from representing other principals that sell products that compete with the foreign principals' products. Some of the franchise agreements to which AlHokair is a party include such non-competition clauses. If any such non-competition clauses are breached, the relevant foreign principal may be allowed to consider AlHokair to be in default of the entire franchise agreement, which may lead to the early termination of such agreement. However, foreign principals are fully aware that AlHokair is a market leader in the fashion retail business in Saudi Arabia. AlHokair holds a number of international retail brands and foreign principals have not raised any objections that resulted in the termination of any of their international franchises with AlHokair.

2.1.6 Exchange and Interest Rate Risk

Fluctuations between the value of the Saudi Riyal and foreign currencies may have an adverse effect on the costs and profits of the Company.

The Company's operations involve the purchase of goods denominated in currencies other than the Saudi Riyal, principally the US Dollar, Pound Sterling and Euro. The Company, as part of its hedging strategy does not hedge all of its currency exposure, but a major portion thereof. An unfavourable shift in exchange rates or interest rates would have a negative impact, to the extent of debt in the business. However, the Company has a well-managed Treasury department, staffed by professionals who are in constant touch with the money markets to hedge such risks.

2.1.7 Dependence on Key Personnel

The performance of AlHokair is dependent upon the abilities and experience of its executive officers and other key personnel. AlHokair has been implementing strategies to reduce the risk of the loss of such key personnel and to minimize the impact of any such loss. AlHokair has also been traditionally capable of finding qualified, skilled and professional replacements for key personnel leaving the Company. Nevertheless, there can be no assurance that the Company will be able to retain the services of its existing key personnel or to attract and retain additional qualified personnel as and when needed. AlHokair sales, business, financial condition and results of operations could be materially and adversely affected if the Company is unsuccessful in either retaining key personnel or replacing them with equally qualified personnel.

2.1.8 Launch of New Concepts

Part of AlHokair growth strategy may involve launching new concepts and product lines. The launch of a new concept generally is characterized by relatively high start-up costs. However, the Company cannot guarantee that all new concepts will be profitable, and the start-up costs will be recovered, although its track record has shown that this risk is well managed. The launch of a new concept generally is characterized by relatively high start-up costs.

2.2 Risks Related to the Market

2.2.1 Market Share for New Brands

Consumer preferences change, and AlHokair failure to anticipate, identify or react to these changes could result in reduced demand for the Company's products.

The success of new products introduced depends on AlHokair ability to anticipate the tastes and habits of consumers and to offer brands that appeal to their preferences. There can be no assurance that AlHokair will be able to gain market acceptance or significant market share for the new brands introduced.

2.2.2 WTO Accession

The Kingdom's accession to the World Trade Organisation ("WTO") would allow foreign entities to have an equity interest in an entity that is engaged in wholesale and retail distribution activities. Prior to WTO accession, such activities were reserved for Saudi nationals and entities wholly owned by Saudi nationals. After accession, it become possible to establish a Saudi – foreign joint venture entity to pursue distribution activities, subject to the following terms and conditions:

- ▶ Foreign equity is limited to 51% and 75% after three years from the date of accession.
- ▶ Minimum foreign investment in the entity of Saudi Riyals 20 million by each service supplier.
- ▶ Minimum size of outlets (e.g., not permissible for mini-marts) may be prescribed.
- ▶ Minimum of 15% Saudi employees to be trained each year.

While foreign retailers would be permitted to enter into the wholesale and retail market in the Kingdom, such retailers will be required to ally themselves with a Saudi partner for establishing their businesses in the Kingdom. AlHokair believes that it is best placed to act as Saudi partner to any foreign retailer who may wish to enter the Saudi market directly taking into consideration the unrivalled experience and resources of AlHokair in the wholesale and retail market and its strong knowledge of the culture that it has accumulated over 15 years. Furthermore, due to the size of investment that needs to be made by a foreign retailer for establishing a joint venture entity to conduct wholesale and retail services in the Kingdom which must not be less than Saudi Riyals 20 million, foreign retailers will most likely continue to serve the Saudi market through local franchisee companies such as AlHokair.

2.2.3 Competitive Environment

There can be no assurance that AlHokair will be able to compete effectively against current and future competitors, as effectively as they have done in the past, and changes in the competitive environment may result in price reductions, reduced margins or loss of market share, any of which could materially adversely affect the Company's profit margins.

Competition may lead competitors to increase their advertising expenditures and promotional activities and/or to engage in irrational or predatory pricing behaviour.

2.3 Risks Related to Ordinary Shares

2.3.1 Absence of a Prior Market for the Shares

Currently, there is no public market for the Company's Shares, and there can be no assurance that an active trading market for the Company's Shares will develop or be sustained after this Offering. If an active trading market is not developed or maintained, the trading liquidity or price of the Shares could be adversely affected.

In addition, the Offer Price has been determined based upon several factors, including the history of and prospects for the Company's business and the industry in which it competes and an assessment of the Company's management, operations and financial results. Various factors, including the Company's projected financial results, general conditions in the industry, health of the overall economy or other factors beyond the Company's control could cause significant fluctuations in the price and liquidity of the Company's Shares.

2.3.2 Dividends

Future dividends will depend on, amongst other things, the future profit, financial position, capital requirements, distributable reserves and available credit of the Company and general economic conditions and other factors that the Directors of the Company deem significant from time to time.

2.3.3 Effective Control by the Selling Shareholders

Following this Offering, the Selling Shareholders will collectively own 70% of the Company's issued Shares. Therefore, with the exception of Article 69 and 70 of the Companies Regulations, the Selling Shareholders acting together will be able to influence all matters requiring Shareholder approval, including the appointment and removal of Directors, and they may exercise this ability in a manner that could have a significant effect on the Company's business, financial condition and results of operations.

2.3.4 Future Sales and Offerings

Sales of substantial amounts of the Shares in the public market following the completion of the Offering, or the perception that these sales will occur, could adversely affect the market price of the Shares.

Upon the successful completion of the Offering, the Selling Shareholders may not dispose of any Shares during the period of 6 months from the date on which trading on the Offer Shares commences on the Exchange. Such Share restriction would then be waived upon obtaining CMA approval. Moreover, the Company does not currently intend to issue additional shares immediately following the Offering. Nevertheless, the issuance by the Company or sale by any of the Selling Shareholders following the share-restriction period of a substantial number of Shares could have an adverse effect on the market for the Shares and result in a lower market price of the Shares.

3. Industry Overview

The Company appointed Euromonitor International (“Euromonitor”) to prepare a study covering the apparel retail market in Saudi Arabia. Euromonitor is a recognized consulting company with 30 years of experience in preparing statistical reports and market studies. Studies prepared by Euromonitor over the last three decades covering more than 205 countries worldwide during which the consultants conducted over a million research and survey covering demographic and economic aspects for varied markets and industries¹.

3.1 Apparel Market Overview

The apparel retail industry is one of the most competitive and developed segments of retailing in Saudi Arabia. The apparel business grew rapidly over the last several years as people became more fashion-oriented. The young population (representing more than 45% of the total population in Saudi Arabia) in particular, are highly influenced by global media, which makes apparel retailing very dynamic.

The market for apparel sales in Saudi Arabia was estimated at SAR 8.55 billion in 2005G², up from SAR 8.36 billion in 2000G. Most of these sales are made up of varied products not representing global brands in addition to unbranded items, which are generally imported from Asia. However, as the market matures, there has been a shift towards branded apparel sold through international retail chains. While such sales accounted for 21.4% of total apparel sales in 2000G, by 2005G this had increased to 26.8%, evidenced by the expansion of the number of outlets and the number of malls specialized in international retail chains.

Exhibit 3-1: Market Size

	SAR million
2000.....	8,360
2001.....	8,420
2002.....	8,450
2003.....	8,480
2004.....	8,500
2005.....	8,550

Source: Euromonitor

Accounting for around 41% of total apparel sales for year 2005G, Riyadh is currently the largest market for retail apparel in Saudi Arabia; followed by Jeddah and Dammam³. The market for retail apparel in large cities has significantly increased in the last decade due to the growing presence of international branded apparel in these cities. Some segments of the market (e.g. womenswear) are more developed while other segments remain at their infancy stage. It is expected that the immature segments will grow rapidly in the coming years relative to the mature segments. Similarly, larger cities (e.g. Riyadh) are much more mature

¹ Euromonitor provided a written consents for the use of its report in this Prospectus

² Euromonitor

³ Euromonitor: Market Study

than smaller cities, and it is expected that future growth will be more rapid in smaller cities relative to the large mature markets.

Exhibit 3-2: Sales by Major Cities for 2005G

	SAR million
Riyadh.....	41%
Jeddah	31%
Dammam	22%
Others	6%
Total.....	100%

Source: Euromonitor

3.2 Branded Fashion Apparel in Saudi Arabia

The market share of branded apparel has witnessed a steady increase in the last decade due to changes in consumer tastes and converging global fashion trends. Saudi consumers have become increasingly sophisticated, demonstrating brand awareness and brand loyalty, demanding quality service and value for money and carefully looking out for new product lines from their preferred brands.

Although Saudi consumers are brand conscious, the leisure features offered by malls and stores are essential in the selection of the mall and the store. Stores that have trained staff and a variety of items to choose from, experience high demand for their products. Furthermore, retailers that manage to address this issue are likely to achieve success in the market and encourage increased spending by the fashion driven citizens. Indeed, some of the more successful chains are those that have built strategy around a quick turnover of stock and regular introduction of new lines, such as ZARA.

Saudi Arabia is a major market for women and children's clothing. The market is distinctly segmented between the high-end branded sector, the mid-market branded sector and the lower-priced market.

The high-end and mid-market sectors of the apparel market are dominated by imports from Europe and the United States. The lower end of the market is characterized by imports from the Far East and South East Asia, some of which are styles copied from European and American brand names.

Total sales of mass-market branded apparel are estimated to stand at SAR 2,179 million in 2004G, up by 21.8% from SAR 1,788.9 million in 2000. This growth is expected to accelerate marginally to 22% between 2005G and 2009G, to reach a total of SAR 2,797 million.

This growth will stem from the effective targeting of hitherto underdeveloped sectors, namely eyewear and menswear, while the more mature areas of womenswear and childrenswear will remain the backbone of the market and continue to experience healthy growth.

Exhibit 3-3: Total Sales of Branded Apparel

	SAR million
2000.....	1,789
2001.....	1,878
2002.....	1,973
2003.....	2,073
2004.....	2,179
2005.....	2,292

Source: Euromonitor

3.3 Franchising Market in Saudi Arabia

Over the past 10 years, franchising has grown tremendously in Saudi Arabia. The fast food franchises account for more than 60% of the local franchise market. American firms have the highest market share with more than 70% of all franchised operations in Saudi Arabia, from fast food outlets and hotels, to car leasing, laundry services and printing⁴.

The Kingdom's accession to the WTO will allow foreign retailers to enter the market directly. However, having a strong local partner in Saudi Arabia that knows the culture and the country is a major attraction to foreign retailers. Thus, it is most likely that allying with a local partner will continue to be preferable to foreign companies, with or without WTO rules.

The high-end apparel brands are present in malls and are proven to be selling successfully. However, it is the mid-market where there has been, and continues to be, very strong demand for branded fashion. Brands that are known, fashionable, trendy and moderately priced are more successful than others.

3.4 Market Segments

The exhibit summarizes the Company's market share against its competition by each segment. The information in the exhibit below covers the market of trademarks and branded apparel only.

Exhibit 3-4: Company Market Share for 2005G

Company	Womenswear	Footwear	Childrenswear	Menswear	Eyewear	Market
AlHokair	48.4%	66.9%	49.3%	37.9%	2.0%	48.3%
Competitors	51.6%	33.1%	50.7%	62.1%	98.0%	51.7%

Source: Euromonitor

3.4.1 Womenswear

Womenswear is the largest retail apparel segment in the Saudi market. In 2004G, womenswear accounted for 54% of total branded retail sales, and was considered the most mature segment of fashion retail. While Riyadh remains the largest market for womenswear, it is expected that further growth will be driven by smaller cities mainly Dammam and Qassim. AlHokair market share of this segment is estimated at around 48.4%⁵.

⁴ Source: Euromonitor

⁵ Source: Euromonitor

Womenswear has been the driving force for growth of branded retail apparel sales in the last decade. The sector is highly competitive due to the constant flow of new brands and quick stock turnover in existing chains. Moreover, the sector is very well segmented with international brand representation in market niches such as: lingerie, out size clothes, accessories, teens, and maternity. AlHokair has a strong presence in all of the womenswear segments with ZARA having a dominant position in the segment, La Senza, having a leading positions in the lingerie segment, Ann Harvey, in the out size clothes segment and Accessorize in the accessories segment. Furthermore, AlHokair brands such as Bershka and Miss Selfridge are strong brands in the teens segment, as well as, Thyme Maternity in the maternity segment.

3.4.2 Footwear

Footwear is the second largest sector after womenswear, accounting for almost 20% of apparel sales in 2004G. AlHokair has a dominant position in the footwear sector, carrying the largest brands, including Aldo, Nine West and Nike. The footwear segment is well segmented with shops covering a range of prices, branded and unbranded merchandise. AlHokair market share of this segment is estimated at around 66.9%⁶.

For men, while spending on clothing is low due to a continuing preference for traditional clothing, spending on shoes is more buoyant. All indications are that sports wear and sports shoes have strong potential in the Saudi market. As well as being a large sector, footwear is a good growth sector.

3.4.3 Childrenswear

Sales of childrenswear (excluding footwear) are high in Saudi Arabia due to the young population and the high birth rate. In 2004G, childrenswear accounted for 15% of total sales, and growth is set to continue at around 20% between 2005G and 2009G. AlHokair market share of this segment is estimated at around 49.3%⁷.

Recently, there has been increased interest in higher priced childrenswear with a strong fashion/status positioning. The market is fashion led but also price sensitive, and gaining the correct balance is essential.

Babywear, newborn, and pre-natal clothing are all relatively underdeveloped and are expected to enjoy fast growth in the medium term.

3.4.4 Menswear

Menswear is a minor segment in the Saudi fashion retail market accounting for around 6% of total apparel sales in 2004G. Men still prefer to wear the national traditional clothing at home, at work, and in public. With the majority of the Saudi population at a young age, a shift in consumer tastes may be the catalyst for the future growth in this segment. AlHokair market share of this segment is estimated at around 37.9%⁸.

In the mean time, growth is still slow, and may not fully materialize for several years. However, the sector remains one of the retail sectors with high potential.

⁶ Source: Euromonitor

⁷ Source: Euromonitor

⁸ Source: Euromonitor

3.4.5 Eyewear

Eyewear is, at present, underdeveloped in Saudi Arabia. In 2004G, it accounted for around 5% of total apparel sales. It is a technical market and one that requires high initial investment in lab set ups, recruitment of professional staff and staff training. As such, it can be difficult for a clothing specialist to shift easily into, but is thought to offer potential considerable rewards. AlHokair market share of this segment is estimated around 2.0%⁹.

3.5 The Development of Shopping Malls in Saudi Arabia

The rise of the modern shopping malls in Saudi Arabia has been taking place at a fairly steady rate over the last ten years, with malls becoming increasingly sophisticated.

Malls can become outdated quite quickly, and once popular, modern mall can soon become depleted as newer malls open and take away sales from the old locations. Inevitably, new mall developments lead to falling sales in older malls.

Mall development is likely to be extremely important to the future of the branded fashion market. However, the stand-alone store should not be dismissed – these can offer excellent profit densities, and are especially important for menswear, as malls tend to be female-oriented. On-street stores are popular among both men and women due to ease of drop off. Mall development is expected to spread to smaller cities during the forecast period.

3.6 The Effect of Economic Environment on Apparel Market

Saudi Arabia enjoys healthy GDP growth, positive growth in consumer expenditure, relatively high levels of disposable income and low inflation. These are key contributors to good levels of spending on non-necessities, such as branded apparel. Economic performance is highly dependent on the buoyancy of the oil market, which in recent years has been boosted by firm oil prices and a healthy oil export market.

Government surpluses are expected to bring about higher Government spending than previously anticipated, higher consumer and business confidence and substantial monetary effects assisting credit creation and greater liquidity.

The impact of a healthy economy on clothing spending is notably positive. With higher levels of disposable income, and consumer confidence, Saudi consumers are spending more money, particularly on non-necessities such as mass market branded clothing. Continued growth in GDP for the short to medium term will have a positive affect on the growth of purchasing power for consumers.

⁹ Source: Euromonitor

4. The Company

4.1 Introduction

Fawaz Abdulaziz AlHokair and Company (hereinafter referred to as “AlHokair” or the “Company”) was formed as a general partnership on 20 Sha’ban 1410H (corresponding to 17 March 1990G) in Riyadh, Saudi Arabia under Commercial Registration Number 1010076209 with a capital of SAR 300,000 (three hundred thousand Saudi Riyals) fully paid. On 5 Rabi Al-Akher 1412H (corresponding to 13 October 1991G) the Shareholders decided to increase the Company’s capital to SAR 1,500,000 fully paid shares. On 11 Sha’baan 1426H (corresponding to 15 September 2005G), the Shareholders decided to further increase the Company’s capital to SAR 400,000,000 through transferring SAR 398,500,000 from retained earnings to Company’s capital account.

On 4 Thul Hujja 1426H (corresponding to 4 January 2006G), the Company converted its legal status from a general partnership into a limited liability company. Thereafter, the Company was converted from a limited liability company to a joint stock company in accordance with the Resolution of the Acting Minister of Commerce and Industry No. 2237 dated 16/8/1427H (corresponding to 9/9/2006G).

The share capital of the Company is SAR 400 million consisting of 40 million shares with a par value of SAR 10 each. Following completion of the Offering and the conclusion of the Conversion General Assembly Meeting, an application will be submitted to the Minister of Commerce and Industry requesting the announcement of the Conversion of the Company. The Company will be considered duly converted into a joint stock company from the date of issuance of the Ministerial Resolution declaring its Conversion. The Selling Shareholders will collectively own 70% of the Company’s capital following the completion of the Offering.

Prior to the Offering, Fawaz Abdulaziz AlHokair, Salman Abdulaziz AlHokair, Dr. Abdul Majeed Abdulaziz AlHokair, FAS Saudi Holding Company and Fawaz Abdulaziz AlHokair and Company Holding Company, who are listed below (the “Selling Shareholders”) were the owners of the entire share capital of the Company. After the successful completion of the Offering, it is expected that, assuming full subscription, the Selling Shareholders will collectively own 70% of the share capital of the Company.

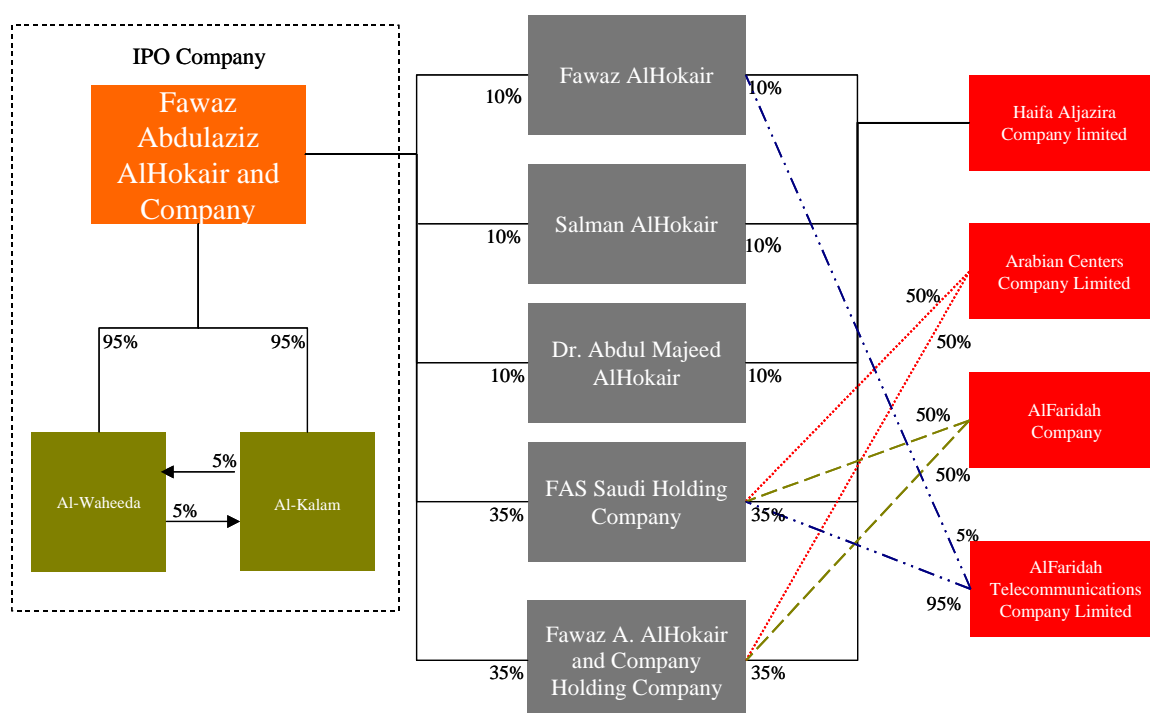
Exhibit 4-1: AlHokair Ownership Structure

	Pre-Offering			Post-Offering		
	Shares	%	Capital (SAR)	Shares	%	Capital (SAR)
Fawaz Abdulaziz AlHokair	4,000,000	10.00	40,000,000	2,800,000	7.00	28,000,000
Salman Abdulaziz AlHokair	4,000,000	10.00	40,000,000	2,800,000	7.00	28,000,000
Dr. Abdul Majeed Abdulaziz AlHokair	4,000,000	10.00	40,000,000	2,800,000	7.00	28,000,000
FAS Saudi Holding Company	14,000,000	35.00	140,000,000	9,800,000	24.50	98,000,000
Fawaz A. AlHokair and Company Holding Company	14,000,000	35.00	140,000,000	9,800,000	24.50	98,000,000
Total - Selling Shareholders	40,000,000	100.00	400,000,000	28,000,000	70.00	280,000,000
Total - Subscribers	-	-	-	12,000,000	30.00	120,000,000
Total	40,000,000	100.00	400,000,000	40,000,000	100.00	400,000,000

Source: AlHokair

The following diagram illustrates the Company's ownership structure as well as other related cross ownership:

Exhibit 4-2: AlHokair Company and Related Cross Ownership



Source: AlHokair

FAS Saudi Holding Company

FAS Saudi Holding Company ("FAS") is a limited liability company registered in Riyadh with commercial registration number 101029391 dated 13/4/1426H (corresponding to 21/5/2005G) with duration of fifty years. The Articles of Association was acknowledged on 12/4/1426H by the notary public at the Ministry of Commerce and Industry. The activities of FAS include wholesale and retail trade in ready to wear clothing, tents, footwear for men, women and children, fabric, perfume, natural beauty products, traditional jewellery, medical supplies, decoration, import and export services, maintenance and operations of commercial and residential complexes, the purchase, development and investment in lands as well as contracting for buildings and roads. The Capital for FAS is SAR 500,000 divided into five hundred shares each with a nominal value of SAR 1,000. The structure of FAS is as follows:

Exhibit 4-3: Ownership Structure of FAS Saudi Holding Company

Name	Shares	%	Share Value (SAR)	Total Value for Shares
Fawaz Abdulaziz AlHokair	167	33.4%	1,000	167,000
Salman Abdulaziz AlHokair	167	33.4%	1,000	167,000
Abdulmajeed Abdulaziz AlHokair	166	33.2%	1,000	166,000
Total	500	100.0%	1,000	500,000

Source: AlHokair

Fawaz Abdulaziz AlHokair and Company Holding Company

Fawaz Abdulaziz AlHokair and Company Holding Company ("FAH") is a limited liability Company registered in Riyadh with commercial registration 1010202099395 dated 13/4/1426H (corresponding to 16/4/2005G) with duration of 50 years. The Articles of Association was acknowledged on 7/3/1426H (corresponding to 16/4/2005G) by the notary public at the Ministry of Commerce and Industry. The activities for FAH include wholesale and retail trade of ready to wear clothes, sportswear, shoes, electrical appliances, house furniture, perfumes, medical appliances, Import and export services, maintenance, operating and managing centres and compounds of commercial and residential nature, contracting and providing maintenance services for buildings and roads, wholesale trade of food products, soda beverages and the trade of tents.

The Capital for Fawaz Abdulaziz AlHokair and Company Holding Company is SAR 500,000 divided into five hundred shares each with a value of SAR 1,000. The ownership structure of FAH is as follows:

Exhibit 4-4: Ownership Structure of Fawaz Abdulaziz AlHokair and Company Holding Company

Name	Shares	%	Share Value (SAR)	Total Value for Shares
Fawaz Abdulaziz AlHokair	167	33.4%	1,000	167,000
Salman Abdulaziz AlHokair	167	33.4%	1,000	167,000
Dr. Abdul Majeed Abdulaziz AlHokair	166	33.2%	1,000	166,000
Total	500	100.0%	1,000	500,000

Source: AlHokair

FAS Saudi Holding Company and Fawaz Abdulaziz AlHokair and Company Holding Company own shares in the following Company:

Haifa Aljazira Company Limited

Haifa Aljazira Company is a limited liability company registered in Riyadh under commercial registration number 1010175494 dated 23/1/1423H (corresponding to 6/4/2002G), with

THE COMPANY

duration of 10 years. The activities of the Company include purchase of land for the purpose of constructing and developing buildings and investing through sale and rental for the Company's purpose in addition to general contracting for buildings, maintaining, operating and managing commercial centres as well as commercial and residential compounds, wholesale and retail trade of ready to wear clothes, shoes, bags and tents.

Haifa Aljazira Company Limited was established with a capital of SAR 1,000,000 divided into 1,000 shares, each with a nominal value of SAR 1,000 divided as follows:

Exhibit 4-5: Ownership Structure of Haifa Aljazira Company Limited

Name	Shares	%	Share Value (SAR)	Total Value for Shares
Fawaz Abdulaziz AlHokair Company Holding Company	900	90%	1,000	900,000
Fawaz Abdulaziz AlHokair	50	5%	1,000	50,000
Salman Abdulaziz AlHokair	50	5%	1,000	50,000
Total	1,000	100%	1,000	1,000,000

Source: AlHokair

On 21/2/1426H (corresponding to 31/3/2005G) the shareholders issued a resolution to amend the ownership. The resolution was notarised at the Ministry of Commerce and Industry on 4/12/1426H (corresponding to 4/1/2006G). Accordingly, the current owners for Haifa Aljazira Company Limited are as follows:

Exhibit 4-6: Current Ownership Structure of Haifa Aljazira Company Limited

Name	Shares	%	Share Value (SAR)	Total Value for Shares
Saudi FAS Holding Company	350	35%	1,000	350,000
Fawaz Abdulaziz AlHokair Company Holding Company	350	35%	1,000	350,000
Fawaz Abdulaziz AlHokair	100	10%	1,000	100,000
Salman Abdulaziz AlHokair	100	10%	1,000	100,000
Dr. Abdul Majeed Abdulaziz AlHokair	100	10%	1,000	100,000
Total	1,000	100%	1,000	1,000,000

Source: AlHokair

Arabian Centers (Almarakiz Al-Arabiya) Company Limited

Arabian Centres ("Almarakiz Al-Arabiya") Company Limited ("Arabian Centres") is a limited liability company registered in Riyadh under commercial registration number 1010209177 dated 7/4/1426H (corresponding to 15/5/2005G) with duration of 25 years. The Articles of Association was acknowledged by the notary public at the Ministry of Commerce and Industry on 7/3/1426H (corresponding to 16/4/2005G). The activities for Arabian Centres include the purchase of land for the purpose of constructing and developing buildings and investing through sale and rental for the Company's purpose in addition to general contracting for buildings, marinating, operating and managing commercial centres as well as commercial and residential compounds, wholesale and retail trade of tents.

THE COMPANY

Arabian Centres was established with a capital of SAR 1,000,000 divided into 1,000 shares, each with a nominal value of SAR 1,000 distributed as follows:

Exhibit 4-7: Structure of Arabian Centers Company Limited

Name	Shares	%	Share Value (SAR)	Total Value for Shares
Fawaz Abdulaziz AlHokair and Company	850	85%	1,000	85,000
Fawaz Abdulaziz AlHokair	50	5%	1,000	50,000
Salman Abdulaziz AlHokair	50	5%	1,000	50,000
Dr. Abdul Majeed Abdulaziz AlHokair	50	5%	1,000	50,000
Total	1,000	100%	1,000	1,000,000

Source: AlHokair

Per its Article of Association notarised by the Ministry of Commerce and Industry, the owner structure of Arabian Centres has become as follows:

Exhibit 4-8: Current Ownership Structure of Arabian Centers

Name	Shares	%	Share Value (SAR)	Total Value for Shares
FAS Saudi Holding Company	500	50%	1,000	500,000
Fawaz Abdulaziz AlHokair Company Holding Company	500	50%	1,000	500,000
Total	1,000	100%	1,000	1,000,000

Source: AlHokair

AlFaridah Trading Agencies Company

AlFaridah Trading Agencies Company ("AlFaridah") is a limited liability company registered in Riyadh with the Ministry of Commerce and Insurance under commercial registration number 1010163766 dated 22/9/1421H (corresponding to 8/12/2000G) with duration of 50 years. The activities for AlFaridah include wholesale and retail trade of ready-to wear clothes, food products, perfumes, beauty supplies, traditional jewellery, leather products as well as providing import, export and marketing services.

AlFaridah was established with a capital of SAR 500,000 divided into 500 shares, each with a nominal value of SAR 1,000 divided as follows:

Exhibit 4-9: Ownership Structure of AlFaridah Trading Agencies Company

Name	Shares	%	Share Value (SAR)	Total Value for Shares
HRH Prince Al-Waleed bin Talal Al Saud	150	30%	1,000	150,000
Fawaz Abdulaziz AlHokair and Company	150	30%	1,000	150,000
Ahmed bin Mohammad Al Sheikh	150	30%	1,000	150,000
Talal bin Ibrahim Almemaan	50	10%	1,000	50,000
Total	500	100%	1,000	500,000

Source: AlHokair

THE COMPANY

The Company ownership structure was amended more than once with a resolution of the shareholders dated 21/2/1426H (corresponding to 31/3/2005G). The resolution was registered with the notary public at the Ministry of Commerce and Insurance on 7/2/1427H (corresponding to 7/3/2006G). According to the latest resolution, the current owners of AlFaridah are as follows:

Exhibit 4-10: Current Ownership Structure of AlFaridah

Name	Shares	%	Share Value (SAR)	Total Value for Shares
FAS Saudi Holding Company	250	50%	1,000	250,000
Fawaz Abdulaziz AlHokair and Company Holding Company	250	50%	1,000	250,000
Total	500	100%	1,000	500,000

Source: AlHokair

AlFaridah Telecommunications Company Limited

AlFaridah Telecommunications Company Limited ("AlFaridah Telecom") is a limited liability company registered in Riyadh under commercial registration number 1010213487 dated 21/9/1426H (corresponding to 24/10/2005G) with duration of 25 years. AlFaridah Telecoms article of association were acknowledged on 8/9/1426H (corresponding to 11/10/2005G) by the notary public at the Ministry of Commerce and Industry document. The activities of AlFaridah Telecoms include wholesale and retail trade and maintenance of electrical and electronic appliances, personal computers, wireless equipment, and import and export of telecommunication machines.

AlFaridah Telecoms was established with a capital of SAR 500,000 divided into 500 shares, each with a nominal value of SAR 1,000, distributed as follows:

Exhibit 4-11: Ownership Structure of AlFaridah Telecoms

Name	Shares	%	Share Value (SAR)	Total Value for Shares
FAS Saudi Holding Company	475	95%	1,000	475,000
Zamil Abdullah Ali Safwan	25	5%	1,000	25,000
Total	500	100%	1,000	500,000

Source: AlHokair

In 22/6/1427H (corresponding to 18/7/2006G) Mr. Zamil Abdullah Ali Safwan sold his shares in AlFaridah Telecommunication Company Limited to Mr. Fawaz Abdulaziz AlHokair. As such, AlFaridah Telecom ownership structure has changed as follows:

Exhibit 4-12: Ownership Structure of AlFaridah Telecoms

Name	Shares	%	Share Value (SAR)	Total Value for Shares
FAS Saudi Holding Company	475	95%	1,000	475,000
Fawaz Abdulaziz AlHokair	25	5%	1,000	25,000
Total	500	100%	1,000	500,000

Source: AlHokair

4.2 Fawaz Abdulaziz AlHokair and Company Subsidiaries

4.2.1 Haifa B. Al-Kalam and Shareholders International Company for Trading

Haifa B. Al-Kalam and Shareholders International Company for Trading ("Al-Kalam") is a limited liability company registered in Riyadh under commercial registration number 1010175496 dated 23/1/1423H (corresponding to 6/4/2002G) with duration of 10 years. The activities of Al-Kalam include wholesale and retail trade in ready-to-wear clothing, shoes, bags, normal watches, traditional jewellery, office and school supplies, tents, perfumes, beauty products, furniture, rugs, furnishings, food product.

Al-Kalam was established with a capital of SAR 500,000 divided into 500 shares, each with a nominal value of SAR 1,000, which were distributed as follows:

Exhibit 4-13: Haifa B. Al-Kalam and Shareholders International Company for Trading

Name	Shares	%	Share Value (SAR)	Total Value for Shares
Haifa Badee Al-Kalam	425	85%	1,000	425,000
Mashael Mohammad Al Dobaie	25	5%	1,000	25,000
Fahdah Abdullah Al Keredes	25	5%	1,000	25,000
Reem Adnan Gomen Mehesen	25	5%	1,000	25,000
Total	500	100%	1,000	500,000

Source: AlHokair

On 21/2/1426H (corresponding to 31/3/2005G) the shareholders of Al-Kalam issued a resolution, which entails the amendment of ownership. The revised Articles of Association was acknowledged by the notary public at the Ministry of Commerce and Industry on 11/2/1427H (corresponding to 11/3/2006G). The ownership structure of Al-Kalam is currently as follows:

Exhibit 4-14: Current Ownership Structure of Al-Kalam

Name	Shares	%	Share Value (SAR)	Total Value for Shares
Fawaz Abdulaziz AlHokair Company	475	95%	1,000	475,000
Al-Waheedah Equipment Company Limited	25	5%	1,000	25,000
Total	500	100%	1,000	500,000

Source: AlHokair

4.2.2 Al-Waheedah Equipment Company Limited

Al-Waheedah Equipment Company Limited ("Al-Waheedah") is a limited liability company registered in Riyadh under commercial registration number 1010148888 dated 27/10/1419H (corresponding to 14/12/1999G) with duration of five years. The activities of Al-Waheedah include wholesale and retail sale of ready-to-wear clothing, shoes, bags, traditional jewellery, medical products, tents, perfumes, beauty products, general building contracting and maintenance, road repair, import of clothing and military product for the purpose of entering government tenders only.

Al-Waheedah was established with a capital of SAR 1,000,000 divided into 1,000 shares, each with a value of SAR 1,000. The ownership structure of the Al-Waheedah upon establishment was as follows:

Exhibit 4-15: Ownership Structure of Al-Waheedah Equipment Company Limited

Name	Shares	%	Share Value (SAR)	Total Value for Shares
Fawaz Abdulaziz AlHokair	500	50%	1,000	500,000
Salman Abdulaziz AlHokair	500	50%	1,000	500,000
Total	1,000	100%	1,000	1,000,000

Source: AlHokair

On 21/2/1426H (corresponding to 31/3/2005G) the shareholders issued a resolution, which entails the amendment of ownership. The resolution was acknowledged by the notary public at the Ministry of Commerce and Industry on 11/2/1427H (corresponding to 11/3/2006G). Al-Waheedah ownership structure at present is as follows:

Exhibit 4-16: Current Ownership Structure of Al-Waheedah post amendment

Name	Shares	%	Share Value (SAR)	Total Value for Shares
Fawaz Abdulaziz AlHokair and Company	950	95%	1,000	950,000
Haifa B. Al-Kalam and Shareholders International Company for Trading	50	5%	1,000	50,000
Total	1,000	100%	1,000	1,000,000

Source: AlHokair

4.3 Company History

AlHokair is recognized as a leading fashion retailing company in Saudi Arabia. The Company is focused on mid market brands, where it has and continues to introduce new franchises into the Kingdom. Its portfolio of brands covers all major sectors of the branded apparel market, which include womenswear, childrenswear, menswear, footwear, eyewear and department stores. As of 31 March 2006G, the Company operated 617 stores Kingdom wide and represented over 42 international retail brands. The last 3 years have seen high growth in the business, which puts AlHokair at a strong position within the market as it plans to expand its current retail operations.

The development of AlHokair fashion retail business may be viewed in three distinct phases:

- ▶ Establishment phase (1990G – 1996G)
- ▶ Expansion and growth phase (1997G - 2004G)
- ▶ Repositioning and strategic focus phase (2005G)

4.3.1 Establishment Phase

AlHokair was established in 1990G, as a retail and wholesale trade in ready-made clothes, shoes, textile and perfumes. The Company identified an opportunity to grow the business in fashion through bringing foreign retail brands into the country and developed a strategy to do so based on franchise relationships, seeking out potential international partners for their market. Their development strategies concentrated on relationship retailing, facilitation and product flow management. The focus on relationship with principals was the core of their business, where retail skills acquired from international partners were adopted and implemented by the AlHokair operating team to succeed in the Saudi markets.

4.3.2 Expansion and Growth Phase

It became apparent by 1997 that retailing in Saudi Arabia and the Middle East in general was expected to undergo dramatic change due to the introduction of international retailing. Provided their risk exposure was managed effectively, these foreign principals were willing to

THE COMPANY

license their brands and retail concepts through franchise agreements to local entrepreneurs who understand the importance of brand image and consistency of delivery.

AlHokair added brands each year, effectively moving into new segments through acquisitions of new franchises. By year 2004G, the Company established itself as a well-diversified franchise holder with interest in various most niches of the fashion market.

Exhibit 4-17: Growth in Franchise Business 1997-2004

Year	Brands Added
1997	Wallis, Adams
1998	La Senza, Miss Selfridge
1999	Ann harvey, Promod, Nine West, ZARA, Barrats
2000	La Senza Girl, Massimo Dutti, Aldo, Colony
2001	Monsoon, Accessorize, Celio, Kekos, Jennyfer, Camaieu, Thyme Maternity, Marks & Spencer
2002	Vero Moda, Grand Optical, Foschini, Sergeant Major, Sports City
2003	Exit, Tape a L'Oeil, Jack & Jones, Oysho
2004	Kiabi, Pilot, PriceLess, Solaris, Spring, Xanaka

Source: AlHokair

4.3.3 Repositioning and Strategic Focus Phase

The Company believes that there are extensive opportunities for growth. The Directors have identified several locations in large and small cities / towns where the Company's brands are not fully represented. They believe there is the potential to open profitable stores that would not impact materially on the profitability of existing stores in neighbouring locations. The Company has successfully demonstrated its ability to operate profitably in smaller cities as well as city centre locations, thus increasing the opportunities available to the Company.

In addition to adding new stores to its existing portfolio, the Company is looking to grow more efficiently through reorganisation of the current structure. With the business achieving considerable size it is important to review the operating structure to further add value and remove unnecessary costs. Over the coming years, AlHokair intends to mould the business into a much leaner operation, by merging offices and teams to extract economies of scale previously unavailable and closing stores operating at a loss. This new structure would develop more accountability and ownership for its stakeholders.

4.4 Vision

AlHokair vision is to "maintain market position as the leading retail organization in the Kingdom of Saudi Arabia and to be the preferred partner for leading international brands, through offering value for money quality products to all customers".

4.5 Strategy and Future Developments

The Company believes that there are extensive opportunities for growth in the Saudi fashion retail market. To this extent, the management have identified a large number of new locations in Saudi Arabia where the Company is not currently represented and where they believe there is potential to open profitable stores. The Company has successfully demonstrated its ability to operate profitably in smaller towns as well as city centre locations.

The management is encouraged by the success of the recent introduction of childrenswear, womenswear and department stores and believe that further opportunities exist to extend the product ranges offered by AlHokair, particularly menswear, footwear and eyewear.

To achieve its expansion objectives, AlHokair has set out the following targets and performance drivers as the guiding principles behind the Company's corporate strategy:

4.5.1 Retail product leadership

Deliver products and services that meet customers' needs through:

- ▶ Supreme grasp of emergent needs; by focusing on the middle segment of the market; and
- ▶ Quality products and value for money with a focus on target consumers.

4.5.2 Growth

Increase profitability and expand brand portfolio through:

- ▶ Brand building and customer service, with increased interest in micro marketing and loyalty programs; and
- ▶ Focus on location of outlets

4.5.3 Learning

Enhance training programs and managerial practices through:

- ▶ Concentration on key areas of differentiation (customer service, selling skills, product knowledge and team building);
- ▶ Spending a minimum of 60 to 80 hours of training per person each year; and
- ▶ Building management competencies in retail operations and management by applying best international practices. AlHokair is in the process of appointing an international Human Resources consulting company to advise and support on Human Resources best practices, including performance management, a grading system, market driven compensations and benefits, training needs, employee satisfaction monitoring and succession planning.

4.5.4 Internal business process and merchandising

Increase efficiency and stock flow by:

- ▶ Constant improvement in inventory management to achieve and exceed industry standards;
- ▶ Reduce terminal stock position through improved buying methods;
- ▶ Hedge currencies, when applicable, in order to fix margin/pricing throughout season and
- ▶ Keep costs to a minimum through considerable investment in distribution, warehousing and marketing to enable further growth in the business but without a proportionate growth in overhead; and
- ▶ Investment in a state of the art IT system to achieve complete integration of the supply-chain and merchandising support through to the shop floor. In this regards, Messrs Tata Consultancy Services, one of the big-three in IT Consultancy worldwide, have been appointed to review existing IT Systems and to help develop a strategy for continuous improvement and value addition.

4.6 Key Strengths

AlHokair has a number of particularly strong attributes, which translate into sustainable competitive advantages and superior profitability relative to its competitors.

4.6.1 Market leader with reputation for delivery

AlHokair occupies a market position as one of the leading retail organizations in the Kingdom of Saudi Arabia and the preferred partner for recognised international brands through offering value for money quality products to all customers.

With 41 international brand names as of 30 September 2005G, AlHokair is recognised as one of the leading fashion retail businesses in Saudi Arabia. A breakdown of the Company's business is illustrated in the diagram below:

Exhibit 4-18: Company Trademarks by Segment	
Segment	Number of Trademarks
Womenswear	15
Childrenswear	7
Footwear	8
Accessories	2
Eyewear	2
Menswear	3
Furniture	1
Other	3
Total	41

Source: AlHokair

4.6.2 Established relationships with International principals

AlHokair is a leading player in the Saudi market for international branded fashion. Over the years, the Company established strong relationships with some of the most prominent international retail brands and benefited from their know-how and experience, which assisted them in capturing the essence of retail franchising and building a long term relationship with the franchisor. These strategic alliances with some of the most successful mid-market brands in the world helped AlHokair build the largest fashion retail presence in the Kingdom.

4.6.3 Diversified brand portfolio

The Company offers a wide range of brands, which cover key sectors including womenswear, childrenswear, menswear, footwear, eyewear and home furnishing. These brands are primarily targeted to the mid market segment allowing AlHokair to tap into a large population base.

4.6.4 Experienced management team and workforce

AlHokair commitment to a value-driven corporate culture has enabled the Company to attract and retain a qualified workforce. Since inception, the Company has been recruiting, retaining and developing its management team. The Company believes that its experienced management team and work force has equipped it to adapt to the rapidly changing fashion retail market in the Kingdom.

THE COMPANY

4.6.5 Economies of scale

The Company counts on its ability to lower costs through economies of scale for products and for lease rentals, through bulk purchasing, and manpower quality, committed management and a fully integrated logistics model.

4.6.6 Strong growth record

The Company has expanded rapidly over the last few years, as reflected in the financial record and number of stores opened. In the 3 years from March 2003G to March 2005G, revenue and net income have grown at compound annual growth rates of 32% and 41%, respectively. The Company believes that there is considerable potential for expansion of the store portfolio within Saudi Arabia and expects to open additional 207 stores within the next five years.

The exhibit below illustrates the Company's historical performance:

Exhibit 4-19: Historical Performance of the Company (SAR '000)

	Year Ended 31 March		
	2003	2004	2005
Retail sales	572,459	736,626	999,277
Gross profit	299,101	372,684	474,698
Net income	88,106	109,510	174,463
Store Numbers	335	361	451

Source: AlHokair

4.6.7 Pricing advantage

AlHokair low cost base combined with its ability to source products at competitive prices has given the Company a powerful pricing advantage over other retailers. The low cost approach has been a major contributor to the Company's success.

4.6.8 Sourcing, buying and merchandising

The Company negotiates directly with suppliers around the world, taking advantage of a number of long standing supplier relationships. Product capacity is secured early and large orders are placed, contributing to AlHokair's ability to purchase products at very competitive prices. The Company believes that the full implementation of its visual merchandising strategy will assist in exploiting the regularity of customer visits to achieve a higher average spend per customer. This, taken in association with planned improvements to the Company's supply chain management, information technology and stock replenishment systems, should have a positive impact on the Company's operating activities.

4.6.9 Total customer focus

The Company uses daily in-store sales data from its retail store managers to provide appealing fashion and latest trends to customers and to modify existing designs to meet customer preferences at the right prices. AlHokair aims to offer products at attractive prices in comparison to other speciality retailers, with a core policy focused on surveying market prices, offering higher quality and more fashionable products at affordable prices.

4.6.10 Prime locations

The Company provides a continuous flow of fresh products, with stores typically located in prime retail locations on premier commercial streets, and in upscale shopping centres. AlHokair's attractive locations and superior store design, combined with appealing presentation of products in exterior display and throughout the stores allow the Company to continuously

stay at the edge of new trends in the fashion retail market. In addition, the Company places substantial emphasis on enhancing the shopping experience at the stores by displaying a wide selection of merchandise, permitting purchases to be made using all major credit cards and by accepting merchandise return. These features make shopping at AlHokair stores enjoyable and maximize customer traffic by encouraging repeat visits.

4.7 Future Prospects

The Company is optimistic about future prospects for the business and recognises that the next level of evolution will require careful planning. To cope with this growth three areas of the business have been identified as key to ensure successful execution of the Company's objectives – People, Operation and Systems.

4.7.1 People

To continue growing the business successfully, recruiting the appropriate candidate is key as well as developing and training the competencies throughout the team. As such, human resources department will provide a pivotal role in shaping the future capability of the organisation to cope with any new challenges. Two essential initiatives in this area are Saudization and a Company commitment to a retail academy.

- ▶ *Saudization*: included in this key area is the responsibility of the Company to respond to Governmental plans to put more young Saudis into private employment. The business has already been heavily involved with the Ministry of Labour in supporting the recruitment and training of Saudi youth within the business. This strategic relationship must be fully harnessed to ensure that the business achieves a positive induction of a more local work force throughout the business. In addition, the management believes that the long-term future of the Company will be highly dependent upon succeeding in recruiting and retaining a large part of the work force from within the local market.
- ▶ *Human Resources Strategy Formulation*, Building management competencies in retail operations and management by applying best international practices. AlHokair is in the process of appointing an international Human Resources consulting company to advise and support on HR best practices, including performance management, a grading system, market driven compensations, benefits, training needs, employee satisfaction monitoring and succession planning
- ▶ *Retail Academy*: this resource will provide theoretical classroom training services and oversee on the job work experience to develop the human asset of the Company. It is envisaged that this retail academy will eventually be able to provide access to degree level certification by working in conjunction with universities recognized internationally.

4.7.2 Operation

The Company screen the market on a regular basis in order to ensure that it can always meet its customers' needs and expectations. By doing so, the Company evaluate all alternatives and consider those that are economically feasible taking advantage of its long track record and experienced management team as well as its strong relationship with the foreign partners and franchisers. The Company also plans to continue to expand its operations through additions of new and recognised brands worldwide, which will ultimately result into expanding its presence throughout the Kingdom.

Planned introduction of new products and brands as well as the improved economies of scale the companies position and performance Therefore the Company plans to add more specialist individuals to the existing structure and it fully understands that it must 1) ensure that the process employed to fulfil the various tasks of the operation is upgraded to satisfy the needs of its rapid growth using best practices, and 2) continuously review its policies and

THE COMPANY

procedures established to safeguard the Company's prospects. The Company has undertaken a major exercise to document and review all existing systems and through a professional approach, re-engineer processes to add significant value in terms of cost and efficiency. This will have the effect of strengthening the overall ability of the business to respond to a changing market place.

4.7.3 Systems

The Company has consistently invested on upgrading its system over the years and remains committed to invest even further in information technology and new systems to support and strengthen the tools available to its operations. These new investments will be undertaken with full consultation with the Company's advisers to ensure that at every stage a "state of the art" solution is adopted for the future well being of the Company. In this regards, Messrs Tata Consultancy Services, one of the big-three in IT Consultancy worldwide, have been appointed to review existing IT Systems and to help develop a strategy for continuous improvement and value addition.

Over the next five years as more specialist managers are recruited into the operation to support the growing size of the Company, a much more divested management approach will be required. Managers have already been entrusted with a project to promote a better awareness of roles and responsibilities both within and across departments.

5. Key Products and Markets

5.1 Products and Markets

AlHokair has sought to establish a competitive position to enhance shareholder value and to underpin its capability to offer value to its consumers. The Company's record in offering such value has been rewarded by its market share growth to 48.3% of the Apparel market for year 2005G¹⁰. AlHokair represents a number of high profile international retail fashion brands from Europe and North America. The fashion retail business includes varied product areas, such as womenswear, childrenswear, menswear, footwear, eyewear and department stores. Each product group is composed of a collection of brands, which cover varied market segments catering to all age groups and style preferences. AlHokair is continuously searching globally for new brand partners to add to its portfolio, with the targeted brands being audience in the mid market.

In the year 2006 the Company is seeking planned diversification into the home furnishing arena with the advent of ZARA HOME (Spain). AlHokair sees this as a rapidly upcoming market where the Company will position itself to satisfy customers in this segment.

5.1.1 Womenswear

Womenswear is by far the largest segment for both the Saudi market place and AlHokair. The womenswear portfolio consists of household names such as ZARA, La Senza, Camaieu, Promod, Wallis and many other world renowned brands.

The portfolio also includes a string of brands mostly targeted towards the mid market segment. These brands include Ann Harvey, Jennyfer, Miss Selfridge, Monsoon, Oysho, Pilot, Promod, Thyme Maternity, Vero Moda, Wallis, Xanaka, Bershka, Pilot and Massimo Dutti, which also cater to menswear.

5.1.2 Footwear

Footwear shops, while less prolific than women's clothing shops, are also well segmented, with shops spanning a range of price points and locations.

For men, while spending on clothing is low due to a continuing preference for traditional dress, spending on shoes is more buoyant.

The continued introduction of world-renowned footwear brands within the Company's portfolio has established AlHokair as fashion leader in branded fashion footwear in Saudi Arabia. The Company's footwear portfolio includes Nine West, ALDO, Barrats, Sport City, VISS, Priceless, Charles & Keith and Spring.

5.1.3 Childrenswear

Childrenswear is a competitive segment within the Saudi market with AlHokair portfolio of childrenswear suitably placed to cater for all customer needs. Being the third largest segment after womenswear and footwear, the Company's portfolio includes the following brands: Adams, Exit, Kekos, Kiabi, La Senza Girl, Sergent Major and Tape A'Loeil.

¹⁰ Source: Euromonitor – Market Study

KEY PRODUCTS AND MARKETS

5.1.4 Menswear

AlHokair has secured a large share of this market with a strong portfolio of menswear brands such as ZARA men, Jack & Jones, Massimo Dutti and Celio. Menswear is undoubtedly a large growth potential in the Saudi Market.

5.1.5 Eyewear

The Company carries two major eyewear brands GrandOptical and Solaris. Further expansion in this area is anticipated in the future.

5.1.6 Department Stores

AlHokair represents leading department stores such as ZARA, Marks & Spencer and Bershka, which offer apparel for men, women and children.

5.1.7 Home Furnishing

AlHokair introduced ZARA Home as the first Home furnishing brand within the mainly fashion based brand portfolio.

The diversification into home furnishing with the Introduction of ZARA Home allows AlHokair into a new and potential high emerging market. Other brands such as Howard Storage (Australia) will strengthen this opportunity as AlHokair aims to dominate in each market segment.

5.2 The Groups And Brands

The Company represents a substantial number of upscale international retail brand names and continues to introduce new clothing franchises to the retail sector in the Kingdom. The following brands represent the franchises included in the AlHokair portfolio listed by group association along with the types of products offered and numbers of stores for each brand in Saudi Arabia as of 30th September 2005G (See *Legal Information Section – Franchise and Distribution Agreements*).

5.2.1 Groups Franchises

INDITEX GROUP

Inditex is one of the largest fashion retail groups in the world. ZARA is part of the Inditex group, which is one of the world's largest fashion distributors with eight sales formats – ZARA, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, ZARA Home and Kiddy's Class. The Inditex Group is comprised of over one hundred companies associated with the business of textile design, manufacturing and distribution and is one of the largest fashion distribution groups. The Group's quality design together with a rapid response to market demands has resulted in fast international expansion and excellent response to sales concepts. AlHokair represents the following Inditex brands in Saudi Arabia: ZARA, ZARA Home, Massimo Dutti, Oysho and Bershka.

AlHokair introduced Inditex into Saudi Arabia with the first store opening of ZARA in December 1999G. Since then it has grown the portfolio to five Inditex brands with a store portfolio of over 25 stores throughout Saudi Arabia.

ZARA

ZARA offers the latest trends in international fashion for men and women in an environment of thought out design, with stores located in the main commercial areas of cities throughout Europe, America and Asia. ZARA womenswear represents the largest percentage sales participation within AlHokair brand portfolio Saudi. It is one of AlHokair key brands and has been well received by the Saudi customer. The brand's 'Just In Time' manufacturing process allows ZARA to insert fresh, innovative trendy products into the market. The brand continues to grow with new locations constantly being sought out as sales continue to grow each year.

ZARA in Saudi Arabia

Launched	1999G
Product	Apparel, footwear and accessories for men, women and children
Total stores	14

ZARA HOME

ZARA HOME offers customers several different decorative atmospheres to choose from. Continuously updating its product range, ZARA HOME brings the latest fashion trends to home furnishings. AlHokair introduced ZARA HOME in Saudi Arabia in 2005G with further expansion planned in 2006G.

ZARA HOME in Saudi Arabia

Launched	2005G
Product	Home furnishings, home décor, glassware and tableware
Total stores	1

MASSIMO DUTTI

Massimo Dutti is part of the Inditex Group, offering clothing for men, women and children. It represents universal design offering; a wide variety of collections that range from sophisticated fashions to casual wear. Massimo Dutti combines classic and current styles using the latest fabrics to make clothing that is practical, comfortable and high quality. Menswear is primarily targeted at the (25-40) age group and described as classic fashion.

Massimo Dutti in Saudi Arabia

Launched	2000G
Product	Lingerie, apparel and accessories for women and men
Total stores	7

OYSHO

Oysho, a lingerie brand from Inditex which in addition to feminine wear, carries modern, urban, casual outerwear and a variety of original accessories. The brand was created in 2001 and has 120 stores in 7 countries.

Oysho in Saudi Arabia

Launched	2003G
Product	Apparel, footwear and accessories for women
Total stores	2

BERSHKA

Bershka was created in April 1998 as a new store and fashion concept, aimed at a younger target market. It now has 324 stores in 17 countries. It is a recent addition to the AlHokair portfolio and is at the high fashion end of the Inditex Group. Apparel offered by the brand is primarily targeted at the 18-20 year old market, within an affordable price range.

Bershka in Saudi Arabia

Launched	2005G
Product	Apparel, footwear and accessories for men, women and children
Total stores	4

ARCADIA GROUP

With over 2,000 outlets throughout the UK, Arcadia Group is the UK's largest clothing retailer, reaching customers through seven brands in the UK and a growing number of international stores. In 2002G, Arcadia became part of Taveta Investments, making it part of the largest retail group in Europe. Today it is comprised of eight brands, namely TOPSHOP, TOPMAN, Evans, Wallis, Miss Selfridge, Dorothy Perkins and Burton. Each brand targets distinct market segments and many of the brands operate with leading positions in their respective markets. AlHokair represents the Miss Selfridge and Wallis brands from the Arcadia group.

MISS SELFRIDGE

Miss Selfridge arrived in the mid-sixties offering fashion to generations of young women. It is part of the Arcadia Group and was the first young women fashion brand introduced in Saudi Arabia by AlHokair.

Miss Selfridge in Saudi Arabia

Launched	1998G
Product	Womenswear
Total stores	16

WALLIS

Born in the 20's, the Wallis brand takes pride in the quality of service it provides. Wallis founded as a small boutique in 1923G, now boasts around 134 UK shops and 126 Wallis concession outlets. It is a strong performer in the AlHokair fashion portfolio.

Wallis in Saudi Arabia

Launched	1997G
Product	Womenswear
Total Stores	23

BESTSELLER GROUP

Bestseller is a family business founded in 1975G. The Group employs approximately 12,000 people worldwide; designing, developing, marketing and selling Bestseller's brands. Since 1975G, Bestseller has grown at great speed and today has more than 1,750 shops in 29 countries and this number is increasing. Bestseller has several brands including Exit, Vero Moda, Jack & Jones, Vila, Name It/Newborn, Only, Selected, tdk, PH Industries, Cosmetics, phink industries, Pieces BY BESTSELLER and Object Collectors Item.

VERO MODA

In 1988G, the brand opened the first store in Oslo, Norway. Vero Moda offers high fashion styles geared towards younger women and also covers basic fashion. It mainly represents urban feminine, urban jeans and urban leisure in its collections.

Vero Moda in Saudi Arabia

Launched	2002G
Product	Womenswear
Total stores	6

JACK & JONES

Jack & Jones offers a large selection of fashion clothing for men. Their target group is a wide segment of men in the age bracket of 18-30 years. Jack & Jones core product is jeans and is among Europe's most pronounced manufacturers of denim products producing original quality jeans.

Jack & Jones in Saudi Arabia

Launched	2003G
Product	Menswear
Total Stores	2

EXIT

Exit is designed for active children in the independent phase. The collection extends from practical everyday wear to smarter clothes for going out or attending parties and from new borns to children aged 8 years. Exit's various clothing lines and collections offer parents the opportunity to dress their children in stylish, good quality clothing.

Exit in Saudi Arabia

Launched	2003G
Product	Childrenswear
Total stores	7

ALDO GROUP

Headquartered in Canada, Aldo Group runs more than 700 shoe stores offering brands such as Aldo, Pageboy, Simard, Caldarone, Feetfirst, Globo, Stoneridge & Transit. The Group operates about 500 stores in Canada; with the remainder spread out worldwide, in more than 20 countries. The Group intends to expand further in Europe, the Middle East, Asia and the US, in the coming few years.

ALDO

The Aldo brand specializes in the creation of high quality fashion footwear, leather goods and accessories. This brand is dedicated to bringing the customer, both quality and cutting-edge trends at affordable prices, season after season.

Aldo in Saudi Arabia

Launched	2000G
Product	Footwear, leather goods and accessories
Total stores	19

SPRING

The Spring brand offers a wide and broad selection of footwear, bags and accessories. This brand is new to the Saudi market and is aimed at the 16 to 20 year old consumer group.

Spring in Saudi Arabia

Launched	2004G
Product	Footwear and fashion accessories
Total stores	11

MONSOON GROUP

Monsoon Group is a design-led retailer operating two highly successful chains - Monsoon and Accessorize. Monsoon Group's objective is to provide both quality products and high levels of customer service. Today there are over 300 Monsoon and Accessorize stores throughout the UK and globally.

MONSOON

Monsoon sells a wide range of women's clothing, which encompasses both day and eveningwear. The range also includes Monsoon Girl, Monsoon Home, and Monsoon Baby. Monsoon was founded in 1972G, and has expanded rapidly from its London base. Monsoon is a star performer in the AlHokair portfolio.

MONSOON in Saudi Arabia

Launched	2001G
Product	Womenswear and childrenswear
Total stores	10

ACCESSORIZE

With its own in-house design team, Accessorize holds a unique position on the high street with a globally sourced, well priced and quality collection of fashion accessories. Displayed in an original and colour-bay design, the constantly changing range includes every kind of accessory; bags, purses, jewellery, belts, hats, scarves, flip flops, gloves, hair accessories and cosmetics.

Accessorize in Saudi Arabia

Launched	2001G
Product	Fashion and hair accessories, belts and bags
Total stores	24

La SENZA GROUP

La Senza Lingerie offers exclusive high quality branded lingerie at affordable prices. As Canada's premier lingerie retailer, La Senza owns and operates over 220 stores throughout Canada, and a further 200 stores in 23 countries around the world.

The merchandise continues to satisfy two areas of consumer needs: firstly, it is a specialty lingerie store for all consumers and secondly, it provides a range of merchandise relevant to the gift purchaser.

La SENZA

La Senza is a specialist lingerie chain that offers other products and accessories, and is the most popular lingerie brand in the Kingdom.

La Senza in Saudi Arabia

Launched	1998G
Product	Lingerie, sleepwear and accessories
Total Stores	46

La SENZA GIRL

La Senza Girl is high fashion teens and tween-wear concept from Canada. The brand was created in 1999 and is part of the La Senza Corporation.

La Senza Girl in Saudi Arabia

Launched	2000G
Product	Teen and Tweens fashion and accessories
Total Stores	18

STYLO GROUP

Stylo plc has been listed on the London Stock Exchange for 65 years. Today there are over 225 Barratts stores, 250 Dorothy Perkins branded concessions as well as over 125 discount footwear outlets under the PriceLess fascia. As part of the ongoing development of the group in April 2003G the group acquired the Shellys chain of footwear outlets. This has added a further 11 stores to the group portfolio as well as providing the group with a London based design team.

BARRATTS

The Barratts brand offers footwear with shoe collections for women and men presented by various designers, in addition to other accessories (e.g. handbags).

Barratts in Saudi Arabia

Launched	1999G
Product	Footwear
Total stores	14

PRICELESS

PriceLess shoes offer an extensive range of products for ladies, men and children at affordable prices.

PriceLess in Saudi Arabia

Launched	2004G
Product	Footwear
Total stores	8

GrandVision Group

One of the largest eyewear groups on the European continent, the company operates more than 350 retail optical outlets, mainly in France, Ireland, Italy, and the UK. Its optical chains include GrandOptical, generale d'Optique, Solaris, and Vision Express. AlHokair has strategic plans for GrandVision and more stores are planned for the future to tap into a high-growth sector of the fashion market.

GRANDOPTICAL

From high tech machinery (PPS) to the latest equipment on display in its stores, GrandOptical keeps ahead of its time with a guarantee of total satisfaction to its customers.

GrandOptical in Saudi Arabia

Launched	2002G
Product	Eyewear
Total stores	2

SOLARIS SUNGLASSES

Created in 1994, Solaris has been asserting its leading position in the sunglasses market. With 70 designer frames in many styles Solaris appeals to a wide range of customers all year round. Sales advisers are trained about specific lenses and protection techniques as well as fashion trends to give customers the best service possible.

Solaris in Saudi Arabia

Launched	2004G
Product	Sunglasses and frames
Total stores	2

Moulnier Group

The Moulnier Group is the largest private family owned retail conglomerate in France and carries the following brands Tape A L'oeil, Xanaka, Kiabi, Auchan Hypermarket and Decathalaon. The Tape A L'oeil, Xanaka and Kiabi brands from within the Moulnier Group are strong performers for AlHokair.

TAPE A L'OEIL

The Tape A L'oeil brand offers kids fashion for children ages 0 – 12 year providing quality at a low price. The brand caters to customers at all ends of the economic market due to an excellent value proposition, but is primarily focused at the lower end of the mass market.

Tape A L'oeil in Saudi Arabia

Launched	2003G
Product	Childrenswear
Total stores	14

XANAKA

Created in 1999G as a French company dedicated to the design and retailing of women's ready-to-wear clothing and accessories. Xanaka offers products in high fashion quality and "essentials" at very affordable prices and varied styles. Today, Xanaka has more than 200 shops in Europe but in the years to come, the aim is to strengthen Xanaka's brand name and improve its presence in Saudi Arabia and the Gulf countries.

Xanaka in Saudi Arabia

Launched	2004G
Product	Womenswear
Total stores	9

KIABI

Kiabi is a leading French value-clothing fashion retailer offering an extensive range of fashion garments and accessories for young men, women, teenagers and children. With 50 million articles sold, Kiabi is today one of the major players in the European textile market, and is now making its presence felt internationally.

Kiabi in Saudi Arabia

Launched	2004G
Product	Womenswear, childrenswear and menswear
Total stores	3

5.2.2 Brand Franchises

The following brands are individually franchised by AlHokair and are not part of a fashion retail group:

NINE WEST

Nine West was founded in 1977G as a ladies fashion footwear brand. Over the past 30 years, this brand has grown into a total lifestyle brand. The Nine West collection is aimed at an exclusively female clientele offering fashionable footwear and accessories at a reasonable price. Nine West is one of the best performing footwear brands in the Kingdom.

Nine West in Saudi Arabia

Launched	1999G
Product	Shoes, bags and fashion Accessories
Total stores	34

CAMAIEU

Creation in 1984G, Camaieu has been designing and distributing a range of ready-made women's clothing that is accessible in terms of style and price in town-centres stores and shopping centres.

Camaieu in Saudi Arabia

Launched	2001G
Product	Womenswear
Total stores	20

ANN HARVEY

Ann Harvey specializes in high quality, fashionable and classic clothes for larger ladies. They cater for sizes 16 through 28 and offer a wide range of clothing for ladies of all ages.

Ann Harvey in Saudi Arabia

Launched	1999G
Product	Womenswear
Total stores	17

ADAMS

Adams is one of the largest childrenswear fashion retailers in the U.K. with over 200 stores nationwide, Adams leads the way in fashion for kids at value for money prices.

Adams in Saudi Arabia

Launched	1997G
Product	Childrenswear
Total stores	44

CELIO

Celio was established in 1985G with headquarters based in Paris. It is the leading French ready to wear menswear chain, specifically created to cater to men's needs. It offers men in all their moods a one-stop destination for all their fashion requirements.

Celio in Saudi Arabia

Launched	2001G
Product	Menswear
New stores	8

PROMOD

Promod was created in 1975G, with the majority of the Promod network in Europe and Middle East. This French family company is dedicated to the design and retailing of women's ready-to-wear and accessories. Promod offers easy to wear ranges with a combination of the high fashion quality demand by shoppers and at affordable prices.

Promod in Saudi Arabia

Launched	1999G
Product	Womenswear
Total stores	29

FOSCHINI

The brand commenced trading in 1924 in South Africa and offers contemporary and affordable fashion apparel for women.

Foschini in Saudi Arabia

Launched	2002G
Product	Women apparel
Total stores	4

JENNYFER

Jennyfer offers fashion inspired by the latest trends and in the taste and lifestyle of today's young women.

Jennyfer in Saudi Arabia

Launched	2001G
Product	Women apparel
Total stores	17

SERGEANT MAJOR

Sergeant Major is a leading French childrenswear brand specializing in the baby born to 14 years market. The brand was created in 1985G and has grown to over 250 stores across 9 countries. In Saudi Arabia it is a strong player in the rapidly expanding kidswear segment.

Sergeant Major in Saudi Arabia

Launched	2002G
Product	Childrenswear
Total stores	21

THYME MATERNITY

Thyme Maternity specializes in beautifully made high quality, fashionable and classic clothes for expecting mothers and offers a wide range of clothing for ladies of all ages.

Thyme Maternity in Saudi Arabia

Launched	2001G
Product	Maternity wears
Total stores	9

PILOT

Pilot is the UK high street's fashion house. The very first store opened in 1984G and, success led to continuing growth and development, Today Pilot has well over 100 High street, shopping centres and factory outlets stores throughout the UK.

Pilot in Saudi Arabia

Launched	2004G
Product	Women apparel
Total stores	2

KEKOS

The Kekos brand was established in 2001G specifically for the Saudi Arabian market. The concept is part of Promotex International, which was founded in 1972 and is based in Barcelona.

Kekos in Saudi Arabia

Launched	2001G
Product	Childrenswear
Total stores	13

CHARLES & KEITH

Charles & Keith opened their first outlet in Singapore in 1996G. In just 10 years the brand has become an international favourite selling exclusive contemporary ladies footwear and bags, distinguished by quality designs and affordable pricing.

Charles & Keith in Saudi Arabia

Launched	2005G
Product	Footwear and bags
New stores	6

SINMA

In less than 2 decades, SINMA has established itself as the leading costume jewellery franchiser in Malaysia, and is setting its sights on global expansion including the Middle East.

SINMA in Saudi Arabia

Launched	2005G
Product	Accessories
Total stores	3

SPORTS CITY

In a short span of 5 years, SPORTS CITY has evolved from a wholesale distribution concept to a highly successful and unique retail brand from Fawaz Abdulaziz AlHokair and Company. A leading sports chain in Saudi Arabia, SPORTS CITY is the one-stop-shop for the largest selection of world-famous and highly popular NIKE products. Sports City offers the latest NIKE footwear, sportswear, sports goods and accessories.

SPORTS CITY in Saudi Arabia

Launched	2002G
Product	Footwear and sportswear
Total stores	13

VISS

VISS is a Malaysian brand, which offers a range of women's footwear and handbags, targeting the young and style conscious buyer. VISS carries a range of contemporary and stylish designs with a strong value proposition and offers more basic, inexpensive, disposable fashion in a boutique-like environment.

VISS in Saudi Arabia

Launched	2005G
Product	Bags and footwear
Total stores	6

COLONY

Colony Gift Corporation is the UK's leading candle manufacturer and the largest producer of scented candles in Europe. AlHokair started direct purchasing from Colony from 2000G.

Colony in Saudi Arabia

Launched	2000G
Product	Candles
Total stores	15

MARKS & SPENCER

As one of the UK's leading retailers, MARKS & SPENCER has annual sales in excess of £8 billion. MARKS & SPENCER employs more than 60,000 people worldwide, operate more than 400 stores in 30 countries, and serve tens of millions of customers every week.

The Company benefits from having a major anchor department store in its portfolio, which assists in lending credibility to the Company when seeking new franchises through its stable consumer base and reputation for quality products.

MARKS & SPENCER in Saudi Arabia

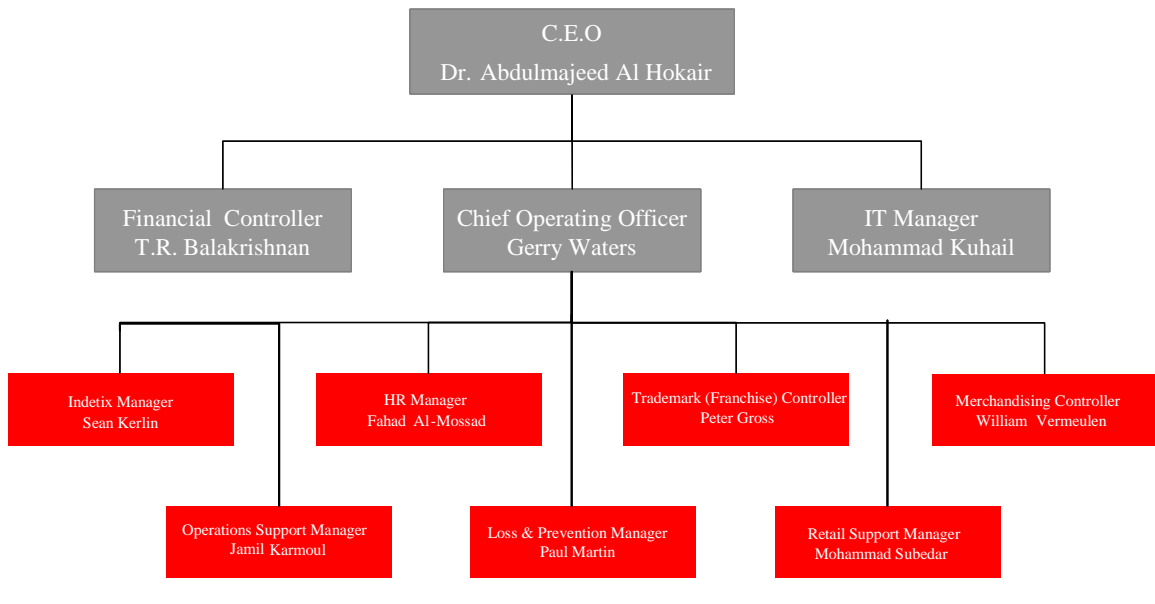
Launched	2001G
Product	Women and men apparel and home accessories
Total Stores	9

6. Operational and Support Functions

Over the last 5 years the Company has invested significant, energy and money in establishing its position within the market. In addition to opening new brands and stores, the Company has also strengthened its central operating structure to support the increased business, and to satisfy the need to become more professional in its approach

Every department within the Company has seen a significant investment in both people and systems to cope with the increased requirements of the business. The departmental structure is basically divided as follows:

Exhibit 6-1: AlHokair Management Structure



Source: AlHokair

6.1 Information Technology

The Information Technology department is responsible for the management of all electronic information within the business. This responsibility includes managing the information generated by the daily sales achieved within the stores, the compilation of weekly trading reports, processing of information back to each of the brand partners and supporting the systems needs across each of the Central Support areas of the business. The department is responsible for the implementation and development of all new systems implemented throughout the business. The business has invested in an integrated system called Microtech Infinity to streamline its operations, which is fully integrated. The manager of the Information Technology department reports to the CEO.

Microtech Infinity Financials includes the following modules:

- ▶ General Ledger
- ▶ Accounts Receivable
- ▶ Accounts Payable
- ▶ Assets Management
- ▶ Financial Analysis
- ▶ Cash Management
- ▶ Budgeting
- ▶ Cost Management

All modules use the same database to enable the integration of information. The infinity system has the ability to connect the Company's customers with vendors, which improves the Company's operating performance and gives it positive attributes. In addition the systems assists AlHokair management in implementing strategic plans and managing daily operations through daily reports when required by management.

The infinity system is flexible as it is able to design and extract information needed by the Company at varied managerial levels. It allows senior management the ability to obtain financial and managerial analyses. For example, it can analyse the Company's working capital, Investments as well as sales and profit planning.

In addition the infinity system simplifies daily operations for other areas of management, for Instance it is able to preparing banking statement reconciliations, on a monthly basis or shorter and longer periods in an automated manner. These reconciliation are performed in an integrated manner with different parts of the system such as the payroll payment, cancelled payments and general cash accounts.

6.2 Finance, Information and Support

The Finance department is responsible for all the financial matters of the Company which include book keeping as per International Accounting Standards, Budgetary Control over revenue and expenditure, Management Information Systems and the Treasury function, which includes cash flow, Documentary credits and hedging foreign currency exposure. The department also plays a key role in the development of policies and procedures, the framework of internal controls and performance measurement system. The department also is involved in supporting the development of IT systems for the effective functioning of the business. The Financial controller manages this department and reports directly to the CEO.

6.3 Operations Controller

The Operations Team is responsible for the day-to-day delivery of customer service in the business. This responsibility includes the supervision of the stores and their staff, the communication link back to the various Central Support departments and the direct interface link with each of the Retail Partners. With so many brands and stores this department is by far the largest in the Company and has quite a complex structure reporting to the Chief Operating Officer who in turn reports directly to the CEO.

The business is managed along regional lines, with the Sales Controller having three regional sales managers reporting to him, while the two large department stores concepts, each has a dedicated manager responsible for the brands reporting directly to the Chief Operating Officer. Merchandising, which involves ordering and procurement of inventory is handled along brand lines through the Merchandising Controller.

6.3.1 Human Resources and Administration

AlHokair values its human resources among its key assets. Its large and diverse workforce has many varied requirements. The Human Resources Division is tasked with meeting these needs and aligning them with the requirements of the overall business.

Reporting to the Chief Operating Officer, the division is responsible for the implementation of the Company's personnel policies, and for their regular update to reflect changing needs and circumstances. Working closely with personnel managers in each division and the principal business units, the division coordinates activities such as localisation, training and development.

A new integrated information technology system from Civil Soft has been installed to upgrade the departments database systems and to provide advanced human resources and administration system.

6.3.2 Retail Support Controller

Reporting to the Chief Operating Officer the role of the retail support controller and his team is designed to provide a support function to the retail operations teams. Areas such as loss and prevention, purchasing, transport, travel, new store opening and management information all fall within the remit of the retail support division.

6.3.3 Brand Controller

Reporting to the Chief Operating Officer the brand controller and his team have the ultimate responsibility for the execution and delivery of the brand. Partner relationships is a key responsibility for brand managers and they act as the interface between the partner and the store operations team to ensure the brands are delivered to the customer in the same way as the partner delivers it in the host country.

6.3.4 Merchandising Controller

Reporting to the Chief Operating Officer the merchandising controller along with his team are the custodians of merchandise, gross margin and the net trading margin. The merchandise controller manages this department and reports to the CEO as well.

7. Corporate Structure

7.1 Current Director and Senior Management

7.1.1 Current Directors

Currently, the Board of Directors of AlHokair consists of 3 members:

Exhibit 7-1: Current Directors

Name	Title
Fawaz Abdulaziz AlHokair	Chairman
Dr. Abdul Majeed Abdulaziz AlHokair	Chief Executive Officer (CEO)
Salman Abdulaziz AlHokair	Director

Source: AlHokair

7.1.2 Suggested Board of Directors (Upon Conversion)

The Board of Directors for the Company (upon Conversion) will be composed of seven members, including the Current Directors (shown above) in addition to Mr. Mansour Al-Ajlan, Mr. Ali Al-Gaith and two additional members to be appointed during the First General Assembly Meeting. The exhibit below details the Board structure upon Conversion:

Exhibit 7-2: AlHokair Board of Directors upon Conversion

Position	Name	Nationality	Age
Chairman	Fawaz Abdulaziz AlHokair	Saudi Arabia	41
Director and CEO	Dr. Abdul Majeed Abdulaziz AlHokair	Saudi Arabia	37
Director	Salman Abdulaziz AlHokair	Saudi Arabia	38
Director representing FAH	Mansour Al Ajlan	Saudi Arabia	46
Director representing FAS	Ali Al Ghaith	Saudi Arabia	45
To be appointed	-	-	-
To be appointed	-	-	-

Source: AlHokair

7.1.3 Experience and Qualification of Directors

Fawaz Abdulaziz AlHokair, Chairman, Chairman of the Board of Directors for AlHokair Group, Fawaz Abdulaziz AlHokair and Company Holding Company and FAS Saudi Holding Company. Mr. Fawaz is also a board member at the Saudi Indian Insurance Company, Retail Group Holding Limited (Dubai), FSA Real Estate Denmark ApS, Retail Group Scandinavia A/S. Mr. Fawaz graduated from Loughborough University in the UK with a degree in Economics and Accountancy and has attended several offsite management courses. He is the founder of the AlHokair group of companies, which was established in 1990G.

Dr. Abdul Majeed Abdulaziz AlHokair, CEO, a member of the Board of Directors of Fawaz Abdulaziz AlHokair and Company Holding Company and FAS Saudi Holding Company, in

addition to FSA Real Estate Denmark ApS, Retail Group Scandinavia A/S. Dr. Abdul Majeed is a graduate of King Saud University with a Fellowship of the Arab Board for Dermatology and Venerology and is a Member of the Saudi Board of Dermatology and Venerology. He also attended several offsite executive management courses.

Eng. Salman Abdulaziz AlHokair, Director, Eng. AlHokair is a partner of the AlHokair Group and a member of the board of directors of FSA Real Estate Denmark ApS, Retail Group Scandinavia A/S with his main focus being real estate and construction. His business profile includes designing, building and managing some of the most high profile shopping centres and hypermarkets in Saudi Arabia. He graduated from King Saud University, with a BSc in Architecture.

Mansour Al Ajlan, Director representing FAH, Mr Al Ajlan is currently working as AlHokair Group's Director of Human Resources. Prior to joining AlHokair he worked as a Deputy General Manager at ASAL Co. in Riyadh (1990G-1998G) and as an Assistant Director for Human Resources at the Ministry of Interior (Directorate of Health Services). Mr. Al Ajlan graduated with a Bachelor of Science in Manpower and Personnel Administration from Metro State College in the USA in 1984. He also holds an Associates Degree in Applied Science Management from Denver Auroria College in the USA awarded in 1983G.

Ali Al Ghaith, Director representing FAS, Mr. Al-Ghaith is in-charge of the Insurance Sector at (SAMA), and is currently the CEO and Managing Director of Manar Financial Investment Company. Mr. Ali Al Gaith was previously the Director of Banking Inspection, Insurance and Financial Leasing at the Saudi Arabian Monetary Agency (SAMA) (1984G-2005G). He received a Bachelors degree in Business Administration from King Saud University, and is a Certified Fraud Examiner (CFE) as well as a Certified Anti Money Laundering Specialist (CAMS).

7.1.4 Senior Management

The AlHokair management team consists of a strong combination of experienced Saudi nationals, and expatriates combining the best international practices with local knowledge. AlHokair has been very successful in retaining its senior managers and developing succession from within. The Chief Executive Officer has primary responsibility for the running of the AlHokair business and is directly responsible to the Board for the performance of the Company in line with the objectives and wishes of the directors and shareholders. The senior management team headed by the Chief Executive Officer consists of the following members:

Exhibit 7-3: AlHokair Senior Management

Position	Name	Nationality	Age
Chief Executive Officer	Dr Abdul Majeed AlHokair	Saudi Arabia	37
Chief Operating Officer	Gerard Michael Waters	United Kingdom	48
Financial Controller	T.R. Balakrishnan	India	41
Information Technology Manager	Mohammed Kamal Kuhail	Palestine	36
Human Resources Manager	Fahad Al-Mossad	Saudi Arabia	48
Inditex Manager	Sean Kerlin	United Kingdom	35
Trademark (Franchise) Controller	Peter Gross	United Kingdom	44
Merchandising Controller	William Vermeulen	South Africa	46
Retail Support Manager	Mohammad Subedar	United Kingdom	44
Operations Support Manager	Jamil Karmoul	United Kingdom	39
Loss & Prevention Manager	Paul Martin	United Kingdom	37

Source: AlHokair

7.1.5 Experience and Qualification of Senior Management

Dr. Abdul Majeed Abdulaziz AlHokair, Director and CEO, (mentioned previously)

Gerry Michael Waters, Chief Operating Officer, Mr. Waters received a diploma in linguistics from Langside University in the UK in 1979G. Mr. Waters has been the COO for AlHokair fashion retail business since 2003G. Prior to this appointment he was General Manager for Zara, Saudi Arabia along with all inditex brands from 1999G. Before joining AlHokair, he held positions as Managing Director Sofa Workshop Limited (home furnishings) between 1979G to 1999G, Country Operations Director IKEA UK (home furnishings) and General Manager ASDA Walmart UK.

T.R. Balakrishnan, Financial Controller, Mr. Balakrishnan has been the Financial Controller for AlHokair since March 2004G. Prior to joining AlHokair he worked for four and a half years as General Manager of Finance for Al Futtaim Electronics Division. He graduated from the University of Madras in India with distinction and is a Chartered Accountant from the Indian Institute since May 1988G.

Mohammed Kamal Kuhail, Information Technology Manager, Mr. Kuhail has been the IT Manager at AlHokair since 1999G. Prior to that he worked as MIS Manager for Al Azizia Panda Inc. KSA. Mr. Kuhail holds a Bachelor of Science in Computer Science from Ajman University College of Science and Technology in UAE 1993G.

Fahad Al-Mossad, Human Resources Manager, Mr. Al-Mossad has been with AlHokair since 2004G. Prior to joining AlHokair he worked as General Manager in the Saudi National Project in cooperation with the Council of Manpower and the Ministry of Labour. Mr. Al-Mossad holds a diploma in the Practical Marketing and has 26 years of experience in the human resources field.

Sean Kerlin, Inditex Manager, Mr. Kerlin joined AlHokair in 2006. Prior to that, Mr. Kerlin worked in the UK at Glotel Plc as EMEA Sales Director from 2004 to 2006. From 2002 to 2004, he worked as Sales Director at a major UK retailer Phones4U. From 1999 to 2002 Mr. Kerlin was Regional Sales Manager at PCWorld and was a Senior Store Manager at Tesco Plc. from 1998 to 1999. Upon graduation in 1989, Mr. Kerlin worked at Sainsbury's until 1998

taking various entry and mid level management roles. Mr. Kerlin holds an economics diploma from St. Joseph College UK in 1989.

Peter Gross, Trademark (Franchise) Controller, Mr. Gross joined AlHokair in 2006 from Paper Scissors Store where he was a Retail Director. Prior to this, he was Area Manager at Marks and Spencer between 2002 and 2005. Mr. Gross also worked as Area Manager at Milton Keynes and Oxford from 1999 to 2002, Divisional Commercial Controller at The North between 1996 to 1999, Store Manager at Marble Arch 1994 to 1996, Deputy General Manager at Glasgow Argyle Street 1992 to 1994. Mr. Gross has 3 A Levels and 9 GCSEs from the UK.

William Vermeulen, Merchandising Controller, Mr. Vermeulen joined AlHokair as a Merchandising Controller in 2004G. Prior to joining the Company he worked as Customer Account Manager STS Retail for U.A.E conglomerate Al-Futtaim Group 2001G-2004G. Mr. Vermeulen holds a bachelor of Commerce in Business Management (Honors) from the University of South Africa, 2002G.

Mohammad Subedar, Retail Support Controller, Mr Subedar has been with AlHokair since 1996G, he has a strong commercial and business background supporting retail operations. Mr Subedar progressed through AlHokair Group to divisional management with extensive retail experience as he previously worked for a number of leading U.K. high street retailers (Debenhams, Littlewoods and Sears – menswear). Mr. Subedar graduated from Sutton Coldfeild College, U.K. in 1980G with a B.E.C. in National Business.

Jamil Karmoul, Operations Support Controller, Mr. Karmoul has been with AlHokair since 1997G. Prior to that he worked with Al-Waheedah Company as an Assistant General Manager. Mr. Karmoul holds a Bachelor of Arts in Economics and Business Administration from the University of Jordan in Amman.

Paul Martin, Loss and Prevention Manager, Mr. Martin holds a degree in English literature and law from Hele College Exeter. Mr. Martin joined AlHokair in 1997 from Sears Clothing Limited in the UK from 1995 to 1997 where he held the position of Regional Support Manager. Prior to this, Mr. Martin was General Operation Manager at Barts Ltd from 1993 to 1995, Store Manager at Topman Retailer Ltd. From 1991 to 1993 and Deputy Manager at Summerfield Supermarkets from 1988 to 1991.

7.2 Corporate Governance

7.2.1 Audit Committee

The Company currently implements sound internal controls. An Audit Committee comprised of two Directors and two professional experts oversees the Company's risk assessment and management practices, internal controls, operations, financial reporting and audits of the Company's financial statements. The Audit Committee is also responsible for reviewing the Company's disclosure controls and procedures, the annual independent audit process, in addition to ensuring compliance with legal, accounting and regulatory requirements.

Exhibit 7-4: AlHokair Current Audit Committee Members

Position	Name	Nationality	Age
Committee Chairmen	Fawaz Abdulaziz AlHokair	Saudi Arabia	41
Committee Member	Ali Al Ghaith	Saudi Arabia	45
Committee Member	Dr. Abdulrahman I. Al-Humaid	Saudi Arabia	56
Committee Member	Tariq Khan	Pakistan	49

Source: AlHokair

Below is brief description of the Audit Committee members experience and qualification:

Fawaz Abdulaziz AlHokair, Chairman of the Committee (mentioned previously)

Ali Al Gaith, Committee member (mentioned previously)

Dr. Abdulrahman Ibrahim AlHumaid, Committee member, Holds bachelors in management with a concentration in accounting from King Saud University (Riyadh University previously) in 1973G. He also received a Masters in Management from Missouri University in the USA. In 1981G Dr. Abdulrahman received a PHD from Louisiana University in the USA with a concentration in financial accounting and auditing. Dr Abdulrahman worked as Head of the accounting department for the College of management at King Saud University from 1981G to 1985G; he also worked as an assistant for the accounting department from 1986G to 1989G. During 1985G to 1989G he worked for Al-Rashed office (legal accountants). He held the Dean of Accounting Department position at King Saud University from 1989G to 1996G with a history of lecturing professor in the accounting department. Dr Abdulrahman is a member of the Audit Committee at the Saudi Hollandi Bank, Saudi Electricity Company, National Agricultural Company, Arriyadh Development Company and several other Companies.

Tariq Khan, Committee member, Holds a bachelor degree in management from Peshawar University in Pakistan. He is an Associate Member of the Institute of Chartered Accountants in Wales and a Fellow Member of the Institute of Chartered Accountants in Pakistan. Mr. Tariq has been working for AlHokair Company since 2004G as the Group Chief Financial Officer. Prior to joining the Company he was the Head of Corporate Affairs and the Group Vice President of Finance for Al-Ghurair Group (2000G-2004G), and has worked previously with the Coca-Cola Company and ICI.

During the General Assembly Meeting, governing rules in relation to the appointment of the Audit Committee will be issued based on the recommendation of the Board of Directors.

7.2.2 Executive Committee

An Executive Committee comprised of 6 Directors is responsible for monitoring the operational performance of the Company and reports to the Board on various matters such as appointments of executive management, strategic planning and remuneration of Directors and executive management. The current Executive Committee comprise the following:

Exhibit 7-5: AIHokair Current Executive Committee Members

Position	Name	Nationality	Age
Committee Chairman	Dr Abdul Majeed Abdulaziz AIHokair	Saudi Arabia	37
Committee Member	Gerry Michael Waters	United Kingdom	48
Committee Member	Tariq Khan	Pakistan	49
Committee Member	Mansour Al Ajlan	Saudi Arabia	46
Committee Member	Ebrahim Vantra	United Kingdom	49
Committee Member	Peter Gross	United Kingdom	44

Source: AIHokair

Below is brief description of the Executive Committee members experience and qualification:

Dr. Abdul Majeed Abdulaziz AIHokair, Director and CEO, (mentioned previously)

Gerry Michael Waters, Chief Operating Officer, (mentioned previously)

Tariq Khan, Committee member, (mentioned previously)

Mansour Al Ajlan, Committee member, (mentioned previously)

Ebrahim Vantra, Committee member, Mr. Vantra holds a diploma in business administration from Black Bern university from the UK in 1977. Mr. Vantra worked between 1977G and 1997G at Sears in the UK where he was handled responsibilities at various levels including the management of several well known trademarks. Ebrahim joined Fawaz Abdulaziz AIHokair and Company in 1997G as operations manager and maintained this role until 2001G when he was promoted to executive manager position.

Peter Gross, Committee member, (mentioned previously)

7.2.3 Remuneration and Nomination Committee

The Board of Directors will set up a Remuneration and Nomination Committee. Rules regulating this Committee will be issued during a General Assembly Meeting based on the recommendation of the Boards of Directors.

Key responsibilities of the Remuneration and Nomination Committee would include the following:

- ▶ Recommendation of Board of Directors membership
- ▶ Annual review of management development programmes
- ▶ Ensure Board of Directors independence
- ▶ Reviewing, determining and benchmarking compensations and benefits of senior executives and Board of Directors.

7.3 Responsibility of Key Board Members

None of the current Directors has an employment contract with the Company. Following Conversion of the Company the duties and responsibilities of the Board (upon Conversion) including its Chairman are as follows:

7.3.1 Chairman of the Board

Duties and Responsibilities

- ▶ Leads the Board in defining the organization's values, vision, and mission.
- ▶ Provides over-all direction and continuity for the organization.
- ▶ Determines and monitors the organization's programs and services.
- ▶ Is responsible to stakeholders for the quality of products and services of the organization.
- ▶ Leads the Board in selecting a chief executive who will have responsibility for the administration of the organization.
- ▶ Supports the Executive Committee, by offering administrative guidance and periodic performance evaluation.
- ▶ Votes to retain or replace the Top Executive Officers.
- ▶ Ensures effective organizational planning.
- ▶ Directs, plans and implements policies and objectives of the organization in accordance with its Charter.
- ▶ Govern the organization according to established policies and objectives.
- ▶ Determine priorities and ensure the organization's success by continually reviewing its work.
- ▶ Ensures sufficient resources for the organization's operation and oversees its efficient management.
- ▶ Assesses performance of Board Members.

Term

The term of service of the Chairman shall be for 5 years pursuant to the bylaws of the Company.

7.3.2 Director and CEO

Duties and Responsibilities

- ▶ Assumes the functions of the Chairperson in his absence
- ▶ Participates in defining the organization's values, vision and mission
- ▶ Participates in setting up the legal existence of the organization
- ▶ Provides over-all direction and continuity for the organization
- ▶ Votes to retain or replace the Top Executives of the Company
- ▶ Ensure effective organizational planning and implementation of policies and objectives of the organization in accordance with its charter
- ▶ Participate in governing the organization according to established policies and objectives.
- ▶ Determine priorities and ensure the organization's success by continually reviewing its work
- ▶ Ensures sufficient resources for the organization's operations and its efficient management
- ▶ Analyses operations and evaluates performance of the Company
- ▶ Determines areas of program improvement and cost reduction
- ▶ Assesses the Board's own performance

Term

The term of service of the Director and CEO shall be for 5 years pursuant to the bylaws of the Company.

7.3.3 Directors

Duties and Responsibilities

- ▶ Participate in defining the organization's values, vision and mission
- ▶ Participate in setting up the legal existence of the organization
- ▶ Provide over-all direction and continuity for the organization
- ▶ Participate in selecting a Chief Executive Office who will have responsibility for the administration of the organization
- ▶ Vote to retain or replace the Top Executives of the Company
- ▶ Ensure effective organizational planning and implementation of policies and objectives of the organization in accordance with its charter
- ▶ Participate in governing the organization according to established policies and objectives
- ▶ Determine priorities and ensure the organization's success by continually reviewing its work
- ▶ Ensure sufficient resources for the organization's operations and its efficient management
- ▶ Analyze operations and evaluate performance of the Company
- ▶ Determine areas of program improvement and cost reduction
- ▶ Assesses the Board's own performance

Term

The term of Directors shall be for 5 years pursuant to the bylaws of the Company.

7.3.4 Board Allowances and Scheduled Meetings

Allowances of Board members

Members of the Board will be paid an allowance of SAR 3,000 per meeting for services they have rendered to the Company, and that after obtaining permission from the General Assembly Meeting as stated in article 18 from the Company's Bylaws.

Schedule of Board Meetings

Meetings shall be held quarterly and the corporate secretary shall set the date.

7.4 Remuneration of Board Members and Schedule of Meetings

Board member remuneration

The Company will pay SAR 3,000 to each member of the Board of Directors for their participation in Board meetings subject to investors' approval during the General Assembly Meeting per Article 18 of the Company's bylaws.

Schedule of meetings

Meetings shall be held quarterly and the date shall be set by the corporate secretary.

7.5 Remuneration of Directors

No compensation was paid to the members of the Board, and members of Board committees, for the years ended 31 March 2003G, 2004G and 2005G in their capacity as Directors.

7.6 Employees

AlHokair aims to provide an environment for employees in whom they are encouraged to contribute to the development of the Company and to share in its success. Commissions are payable to store employees based on the achievement of monthly store turnover targets. Additionally, a profit sharing scheme under which a proportion of the Company's profits is distributed to eligible members of staff in proportion to salary and length of service.

The Company is committed to the development of its staff and encourages its employees to provide highest level of friendly and informed customer service. The ethos of the business is open and friendly and prospective employees are required to demonstrate these qualities.

AlHokair had a total number of 2,525 employees as of 30 September 2005G, as illustrated in the table below:

Exhibit 7-6: Number of Employees by Division					
	Grades	Sep-05	Dec-04	Dec-03	Dec-02
Executives	(Gr. 8 & 9)	15	16	12	9
Senior Management	(Gr. 4,5, 6, & 7)	90	122	92	72
Staff	(Gr. 1,2 & 3)	2,420	2,327	1,720	1,361
	TOTAL	2,525	2,465	1,824	1,442
Division		Sep-05	Dec-04	Dec-03	Dec-02
	FR Dir/VP Office*	8			
	Retail Support	175	230	85	67
	Retail Operation	1,641	1,604	1,272	1,005
	Inditex	373	391	289	229
	Marks & Spencer	101	27	20	16
	Human Resources	70	116	86	68
	Merchandising	60	9	7	5
	Sales Control	8	5	4	3
	Finance	27	29	21	17
	IT	52	44	33	26
	Stock Control	10	10	7	6
	TOTAL	2,525	2,465	1,824	1,442

Source: AlHokair

* Fashion retail director and vice president office

7.6.1 Recruitment

The Company recruits employees locally and from abroad through different recruitment agencies.

Employees are screened through interviews, written examinations and medical tests. Qualified applicants are offered compensations and benefits in accordance with the Saudi Labour Law. Compensation of employees includes basic salary, housing, medical and accident insurance benefits. The number of employees at the Company increased from 1,442 employee as of 31 December 2002G to 2,525 employee as of September 2005G, that is an increase of 75% over two and a half years. About 64% of total employees work in the retail operations division where the number of employees as of 30 September 2005G reached 1,641 employee. Employee compensation include basic salary, housing, medical coverage and insurance for accidents.

7.6.2 Training

Orientation programs are provided for new employees where they are informed about Company policies and procedures. By early December of each year, the management updates new employees with manuals translated to languages spoken by the majority of employees.

7.6.3 Saudization Policies

Currently, the Company complies with the Saudization requirements as stipulated and enforced by the Ministry of Labour and has obtained a certificate of compliance from the Ministry of Labour in this regard dated 8 Shabaan 1426H (corresponding to 12 September 2005G).

7.7 Declaration of Directors and Key Officers

The Directors, Chief Executive Officer, Chief Financial Officer and Company Secretary declare as of the date of the Prospectus that:

- ▶ they have not at any time been declared bankrupt or been subject to bankruptcy proceedings;
- ▶ except as disclosed in page 106 of this Prospectus, they do not themselves, nor do any relatives or affiliates, have any material interest in any contract or arrangement in effect or contemplated at the time of the listing document, which is significant in relation to the business of the Company;
- ▶ the Company do not contemplate to make material change in the nature of its business; and
- ▶ per Article 71 of Companies Regulations, the Company will not offer financial compensation or loans of any kind to the Directors of the Company.

8. Accountants Report

The audited financial statements for each of the three years ended 31 March 2005G, 2004G and 2003G and the notes thereto incorporated in the Prospectus have been included herein in reliance on the report of Deloitte, for the above stated period.

It is worth noting that Deloitte do not themselves, nor do any of their relatives or affiliates have any shareholding or interest of any kind in the Company. In addition, Deloitte has given and not withdrawn their written consent to the publication in the Prospectus of their Accountants Report.

Auditors' Report

To the partners
Fawaz Abdulaziz Al Hokair & Co.
(Saudi Partnership Company)

Riyadh, Saudi Arabia

We have audited the accompanying consolidated balance sheet of Fawaz Abdulaziz Al Hokair & Co. (Saudi Partnership Company) as of March 31, 2005, and the related consolidated statements of income, partners' equity and cash flows for the year then ended, and notes 1 to 14 which form an integral part of these financial statements as prepared by the Company and presented to us with all the necessary information and explanations. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 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 basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2005, and the 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 articles of the Company as these relate to the preparation and presentation of these financial statements.

As further discussed in the accompanying notes 2 and 6, the proforma financial statements for the years ended March 31, 2004 and 2003 have been prepared for comparability purposes on pro forma basis, based on the audited financial statements of the Company taken as a whole for the years ended March 31, 2004 and 2003, on which our reports dated June 20, 2004 and November 3, 2003, respectively, expressed unqualified opinions, assuming that the transfer agreement signed by the Company and an affiliated company for the transfer of business related to various brands and the operations of non retail business which partners decided to discontinue from the current operation of the Company had occurred on April 1, 2002. The legal procedures relating to the transfer of such business were in process as of March 31, 2005.

Deloitte & Touche
Bakr Abulkhair & Co.

Bakr A. Abulkhair
License No. 101
Jumada Al Thani 14, 1426
July 20, 2005

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(SAUDI PARTNERSHIP COMPANY)

CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2005

	Note	(Notes 2 & 6)		
		2005 SR	2004 SR	2003 SR
ASSETS				
Current assets				
Cash and bank balances		2,521,473	2,922,144	41,788,444
Trade receivables		4,228,992	3,955,754	3,763,524
Inventories	3	231,394,618	150,518,107	116,066,919
Other receivables and prepayments	4	72,389,362	55,280,877	51,072,568
Total current assets		310,534,445	212,676,882	212,691,455
Non-current assets				
Available for sale securities	5	37,500,000	18,750,000	18,750,000
Investment in companies' equity	5	76,000,000	76,000,000	73,000,000
Investment properties		28,000,000	28,000,000	28,000,000
Deferred charges	7	16,756,246	18,432,402	25,656,903
Property and equipment, net	8	133,977,923	121,403,002	118,493,328
Total non-current assets		292,234,169	262,585,404	263,900,231
TOTAL ASSETS		602,768,614	475,262,286	476,591,686
LIABILITIES AND PARTNERS' EQUITY				
Current liabilities				
Bank overdraft	9	5,460,091	6,818,183	7,938,213
Current portion of long term loans	9	13,333,333	13,333,333	6,666,667
Trade payables		90,678,967	54,266,322	47,426,990
Other payables and accruals	10	39,105,210	37,154,772	48,246,982
Total current liabilities		148,577,601	111,572,610	110,278,852
Non-current liabilities				
Long term loan		6,666,667	20,000,000	33,333,333
End-of-service indemnities		11,107,128	8,495,914	6,715,615
Total non-current liabilities		17,773,795	28,495,914	40,048,948
Total liabilities		166,351,396	140,068,524	150,327,800
Partners' equity				
Share capital	1	1,500,000	1,500,000	1,500,000
Proposed increase in share capital	1	237,500,000	-	-
Partners' current accounts		22,954,230	58,267,195	77,846,725
Retained earnings		174,462,988	275,426,567	246,917,161
Total partners' equity		436,417,218	335,193,762	326,263,886
TOTAL LIABILITIES AND PARTNERS' EQUITY		602,768,614	475,262,286	476,591,686

The accompanying notes form an integral part of this consolidated financial statement.

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(SAUDI PARTNERSHIP COMPANY)

CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED MARCH 31, 2005

	Note	(Notes 2 & 6)		
		2005 SR	2004 SR	2003 SR
Retail sales		999,277,410	736,625,682	572,459,161
Cost of sales		(524,579,519)	(363,942,118)	(273,357,925)
Gross profit		474,697,891	372,683,564	299,101,236
Selling and marketing expenses	12	(218,298,837)	(174,952,252)	(136,296,200)
General and administrative expenses	13	(31,540,563)	(31,082,146)	(23,784,165)
Depreciation and amortization		(49,100,623)	(47,715,521)	(40,635,051)
Net operating income		175,757,868	118,933,645	98,385,820
Finance charges		(4,041,469)	(6,036,449)	(8,755,964)
Other income, net		6,876,589	1,639,564	1,311,160
Net income before zakat		178,592,988	114,536,760	90,941,016
Zakat		(4,130,000)	(5,027,354)	(2,835,390)
NET INCOME		174,462,988	109,509,406	88,105,626

The accompanying notes form an integral part of this consolidated financial statement.

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(SAUDI PARTNERSHIP COMPANY)

CONSOLIDATED STATEMENT OF PARTNERS' EQUITY
YEAR ENDED MARCH 31, 2005

	Note	Share capital SR	Proposed increase in share capital SR	Partners' current accounts SR	Retained earnings SR	Total SR
April 1, 2003		1,500,000	-	77,846,725	246,917,161	326,263,886
Dividends		-	-	81,000,000	(81,000,000)	-
Net income for the year		-	-	-	109,509,406	109,509,406
Net movement in partners' current accounts		-	-	(100,579,530)	-	(100,579,530)
March 31, 2004		1,500,000	-	58,267,195	275,426,567	335,193,762
Dividends		-	-	37,926,567	(37,926,567)	-
Transfer to advance against share capital	1	-	237,500,000	-	(237,500,000)	-
Net income for the year		-	-	-	174,462,988	174,462,988
Net movement in partners' current accounts		-	-	(73,239,532)	-	(73,239,532)
March 31, 2005		1,500,000	237,500,000	22,954,230	174,462,988	436,417,218

The accompanying notes form an integral part of this consolidated financial statement.

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(SAUDI PARTNERSHIP COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2005

	(Notes 2 & 6)		
	2005	2004	2003
	SR	SR	SR
OPERATING ACTIVITIES			
Net income before zakat	178,592,988	114,536,760	90,941,016
Adjustments for:			
Depreciation and amortization	49,100,623	47,715,521	40,635,051
End-of-service indemnities	2,611,214	1,780,299	1,440,388
Changes in operating assets and liabilities:			
Trade receivables	(273,238)	(192,230)	(2,353,914)
Inventories	(80,876,511)	(34,451,188)	(34,919,309)
Other receivables and prepayments	(17,108,485)	(4,208,309)	(18,341,955)
Trade payables	36,412,645	6,839,332	11,218,217
Accrued expenses and other liabilities	581,268	(14,187,010)	15,250,906
Zakat paid	(2,760,830)	(1,932,554)	(2,697,461)
Net cash from operating activities	166,279,674	115,900,621	101,172,939
INVESTING ACTIVITIES			
Deferred charges	(3,195,970)	1,054,054	227,154
Purchase of property and equipment, net	(56,803,418)	(44,454,748)	(112,924,472)
Net cash used in investing activities	(59,999,388)	(43,400,694)	(112,697,318)
FINANCING ACTIVITIES			
Net movement in partners' current accounts	(54,062,965)	(22,579,530)	(536,874)
Bank loans and overdrafts	(14,691,425)	(7,786,697)	40,730,514
Dividends paid	(37,926,567)	(81,000,000)	-
Net cash (used in) from financing activities	(106,680,957)	(111,366,227)	40,193,640
Net change in cash and bank balances	(400,671)	(38,866,300)	28,669,261
Cash and bank balances, April 1	2,922,144	41,788,444	13,119,183
CASH AND BANK BALANCES, MARCH 31	2,521,473	2,922,144	41,788,444
Non-cash item:			
Proposed increase in share capital from retained earnings	237,500,000	-	-
Investments transferred from partners' current accounts	(18,750,000)	(3,000,000)	(119,750,000)

The accompanying notes form an integral part of this consolidated financial statement.

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(SAUDI PARTNERSHIP COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2005

1. ORGANIZATION AND ACTIVITIES

Fawaz Abdulaziz Al Hokair & Company (the Company) is a general partnership registered in the Kingdom of Saudi Arabia under commercial registration No. 1010076209 dated 20/8/1410H (corresponding to March 17, 1990).

The Company's capital amounting to SR 1,500,000 distributed amongst the partners as follows:

	%	Amount
Fawaz Al Hokair	34	500,000
Salman Al Hokair	33	500,000
Abdul Majeed Al Hokair	33	500,000
	<u>100</u>	<u>1,500,000</u>

The partnership and its subsidiaries are engaged in the retail and wholesale trading of ready made clothes, furniture and fixtures, electric equipment, tents, bags, shoes, perfumes, cosmetics and textiles.

During 2005, the partners resolved to increase the Company's share capital from SR 1.5 million to SR 239 million by transferring SR 237.5 million from the retained earnings. The legal procedures regarding these changes were in process as of March 31, 2005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with the Standard of General Presentation and Disclosure issued by the Ministry of Commerce and in compliance 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:

Basis of presentation

As further discussed in Note 6, the Company's financial statements for the year ended March 31, 2005 and the comparable financial statements on a pro forma basis for the years ended March 31, 2004 and 2003 were presented on the following bases:

Financial statements for the year ended March 31, 2005

The accompanying financial statements for the year ended March 31, 2005 include the accounts of the Company and the following subsidiaries:

- ❖ Haifa B. Al Kalam & Partners International Company for Trading
- ❖ Al Waheedah Equipment Company Limited

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(SAUDI PARTNERSHIP COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED MARCH 31, 2005

Financial statements prepared on a pro forma basis for the years ended March 31, 2004 and 2003

The accompanying financial statements for the years ended March 31, 2004 and 2003 have been provided for comparability purposes on a pro forma basis from the audited financial statements of the Company taken as a whole for the years ended March 31, 2004 and 2003. These financial statements assume that the transfer agreement signed by the Company and an affiliated company during 2005 for the transfer of the Company's various brands related activities and the operations of non retail business had occurred on April 1, 2002, (see Note 6).

Revenue recognition

Revenue is recognized when goods are sold to customers.

Leasing

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 products. 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.

Borrowing costs

Borrowing costs directly attributable to acquisitions or constructions of qualifying assets, which are the assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such times as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to income in the period in which they are incurred.

Inventories

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

Investment in companies equity

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.

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(SAUDI PARTNERSHIP COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED MARCH 31, 2005

Investments in financial instruments

Investments in financial instruments are classified according to the Company's intent with respect to those instruments. Financial instruments held for trading are stated at fair value, and unrealized gains and losses thereon are included in the statement of income. Financial instruments which are considered as available for sale are stated at fair value, and unrealized gains and losses thereon are included in partners' equity until such investments are sold. Where the fair value is not readily determinable, such financial instruments are stated at cost.

Investment properties

Investment properties are reflected at cost and reviewed for any decline in the value of the investment. Gains from these investments are reported upon the sale of investment.

Deferred charges

Deferred charges represent key money, and other deferred charges, and are amortized using the straight-line method over a period of three to ten years.

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

Buildings	3%
Leasehold improvements	10% -25%
Furniture and equipment	10% - 25%
Motor vehicles	25%

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 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 statement of income.

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian Labor Law, are provided in the financial statements based on the employees' length of service.

Zakat

The Company is 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.

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(SAUDI PARTNERSHIP COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED MARCH 31, 2005

3. INVENTORIES

	(Notes 2 & 6)		
	2005	2004	2003
	SR	SR	SR
Goods available for sale	225,175,495	138,645,184	104,896,709
Goods in transit	6,192,179	10,555,070	7,780,526
Provision for obsolete and slow moving inventory	(4,871,886)	(3,722,366)	(2,347,737)
	226,495,788	145,477,888	110,329,498
Supplies	7,548,130	5,540,219	5,737,421
Provision for slow-moving supplies	(2,649,300)	(500,000)	-
	4,898,830	5,040,219	5,737,421
Total inventories	231,394,618	150,518,107	116,066,919

4. OTHER RECEIVABLES AND PREPAYMENTS

	(Notes 2 & 6)		
	2005	2004	2003
	SR	SR	SR
Prepayments	31,455,840	34,365,185	27,479,708
Advances to suppliers and subcontractors	21,182,383	15,154,788	13,952,892
Employees' receivables	419,380	1,156,854	648,645
Margin on letters of credit and guarantees	3,123,886	1,138,265	1,109,147
Rent receivable	3,000,000	-	-
Other	13,207,873	3,465,785	7,882,176
	72,389,362	55,280,877	51,072,568

5. INVESTMENTS IN FINANCIAL INSTRUMENTS

	(Notes 2 & 6)		
	2005	2004	2003
	SR	SR	SR
Available for sale securities	37,500,000	18,750,000	18,750,000
Investments in companies' equity	76,000,000	76,000,000	73,000,000

Above investments are in the name of one of the partners who has assigned these investments in favour of Fawaz Abdulaziz Al Hokair & Co.

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(SAUDI PARTNERSHIP COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED MARCH 31, 2005

6. DUE FROM AN AFFILIATE

During 2005, the Company entered into an agreement with an affiliated company, Saudi FAS Holding, whereby the Company transferred (i.e. spin-off) effective April 1, 2004, various brand related operations and the operations of non retail business to the affiliated company at its book value.

The above transfer of net assets at book value resulted in an amount due from the affiliated company of SR 60.9 million and SR 131.8 million at April 1, 2004 and 2003, respectively. The legal procedures relating to the transfer agreement is in process and pending approvals.

The proforma financial statements for the years ended March 31, 2004 and 2003 have been prepared for comparability purposes, based on the audited financial statements of the Company as a whole for the years ended March 31, 2004 and 2003, on which auditors' reports dated June 20, 2004 and November 3, 2003, respectively, expressed unqualified opinions, assuming that the transfer agreement signed by the Company and an affiliated company for the transfer of business related to various brands and the operations of non retail business had occurred on April 1, 2002. The legal procedures relating to the transfer of such business were in process as of March 31, 2005.

The following condensed pro forma financial position and results of operations have been provided for comparability purposes, based on the audited financial statements of the Company as a whole for the years ended March 31, 2004 and 2003, assuming that the transfer mentioned above to the affiliated company had occurred on April 1, 2002:

<u>2004</u>	Audited historical financial statements SR	Adjustments (A) SR	Pro forma financial statements SR
<u>BALANCE SHEET</u>			
Current assets	509,497,068	(296,820,186)	212,676,882
Non-current assets	786,732,458	(524,147,054)	262,585,404
Total assets	1,296,229,526	(820,967,240)	475,262,286
Current liabilities	738,014,120	(626,441,510)	111,572,610
Non-current liabilities	162,076,507	(133,580,593)	28,495,914
Partners' equity	396,138,899	(60,945,137)	335,193,762
Total liabilities and partners' equity	1,296,229,526	(820,967,240)	475,262,286

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(SAUDI PARTNERSHIP COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED MARCH 31, 2005

	Audited historical financial statements SR	Adjustments (A) SR	Pro forma financial statements SR
<u>STATEMENT OF INCOME</u>			
Revenues	870,917,678	(134,291,996)	736,625,682
Cost of revenues	(474,604,869)	110,662,751	(363,942,118)
Gross profit	396,312,809	(23,629,245)	372,683,564
Selling expenses	(198,276,253)	23,324,001	(174,952,252)
General and administrative expenses	(48,166,571)	17,084,425	(31,082,146)
Depreciation and amortization	(72,297,139)	24,581,618	(47,715,521)
Operating income	77,572,846	41,360,799	118,933,645
Investment income	78,720,485	(78,720,485)	-
Finance charges	(24,021,961)	17,985,512	(6,036,449)
Other income, net	2,920,056	(1,280,492)	1,639,564
Income before zakat	135,191,426	(20,654,666)	114,536,760
Zakat	(5,027,354)	-	(5,027,354)
Net income	130,164,072	(20,654,666)	109,509,406

	Audited historical financial statements SR	Adjustments (A) SR	Pro forma financial statements SR
2003			
<u>BALANCE SHEET</u>			
Current assets	479,223,556	(266,532,101)	212,691,455
Non-current assets	768,602,522	(504,702,291)	263,900,231
Total assets	1,247,826,078	(771,234,392)	476,591,686
Current liabilities	442,871,383	(332,592,531)	110,278,852
Non-current liabilities	346,852,617	(306,803,669)	40,048,948
Partners' equity	458,102,078	(131,838,192)	326,263,886
Total liabilities and partners' equity	1,247,826,078	(771,234,392)	476,591,686

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(SAUDI PARTNERSHIP COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED MARCH 31, 2005

	Audited historical financial statements SR	Adjustments (A) SR	Pro forma financial statements SR
<u>STATEMENT OF INCOME</u>			
Revenues	720,860,478	(148,401,317)	572,459,161
Cost of revenues	(355,192,318)	81,834,393	(273,357,925)
Gross profit	365,668,160	(66,566,924)	299,101,236
Selling expenses	(166,321,765)	30,025,565	(136,296,200)
General and administrative expenses	(30,208,644)	6,424,479	(23,784,165)
Depreciation and amortization	(57,690,538)	17,055,487	(40,635,051)
Operating income	111,447,213	(13,061,393)	98,385,820
Investment income	16,795,738	(16,795,738)	-
Finance charges	(30,208,413)	21,452,449	(8,755,964)
Other income, net	3,455,423	(2,144,263)	1,311,160
Income before zakat	101,489,961	(10,548,945)	90,941,016
Zakat	(2,835,390)	-	(2,835,390)
Net income	98,654,571	(10,548,945)	88,105,626

(A) The adjustments to the pro forma based financial statements represent the assets, liabilities and operations of the various brands and the operations of non retail business that were transferred to the affiliated company. In the opinion of management, all adjustments necessary to present fairly the financial statements for the years ended March 31, 2004 and 2003 on a pro forma basis have been made.

7. DEFERRED CHARGES

	(Notes 2 & 6)		
	2005 SR	2004 SR	2003 SR
Balance, beginning of year	36,867,915	37,921,969	37,694,815
Additions	15,898,274	3,854,588	227,154
Disposals/transfers	(16,847,712)	(4,908,642)	-
Balance, end of year	35,918,477	36,867,915	37,921,969
Accumulated amortization			
Balance, beginning of year	18,435,513	12,265,066	9,311,862
Charge for the year	4,872,126	6,170,447	2,953,204
Disposals/Transfers	(4,145,408)	-	-
Balance, end of year	19,162,231	18,435,513	12,265,066
Net book value	16,756,246	18,432,402	25,656,903

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(SAUDI PARTNERSHIP COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED MARCH 31, 2005

8. PROPERTY AND EQUIPMENT

	Buildings SR	Leasehold improvements SR	Furniture and equipment SR	Motor vehicles SR	Total SR
Cost					
April 1, 2002	28,539,184	-	13,620,080	10,525,819	52,685,083
Additions	8,353,081	101,638,994	8,965,700	524,512	119,482,287
Disposals	-	-	(4,528,053)	(3,456,314)	(7,984,367)
March 31, 2003	36,892,265	101,638,994	18,057,727	7,594,017	164,183,003
Additions	2,350	35,670,080	11,453,241	6,127,513	53,253,184
Disposals	(10,342,764)	-	-	-	(10,342,764)
March 31, 2004	26,551,851	137,309,074	29,510,968	13,721,530	207,093,423
Additions	-	56,153,858	7,423,887	1,123,871	64,701,616
Disposals	(10,749,623)	-	-	-	(10,749,623)
March 31, 2005	15,802,228	193,462,932	36,934,855	14,845,401	261,045,416
Depreciation					
April 1, 2002	2,180,965	-	2,603,263	4,650,152	9,434,380
Charge for the year	2,147,057	30,586,306	2,113,921	2,834,563	37,681,847
Disposals	-	-	-	(1,426,552)	(1,426,552)
March 31, 2003	4,328,022	30,586,306	4,717,184	6,058,163	45,689,675
Charge for the year	1,027,166	35,540,268	2,342,218	2,635,422	41,545,074
Disposals	(1,544,328)	-	-	-	(1,544,328)
March 31, 2004	3,810,860	66,126,574	7,059,402	8,693,585	85,690,421
Charge for the year	404,513	38,523,874	2,433,765	2,866,345	44,228,497
Disposals	(2,851,425)	-	-	-	(2,851,425)
March 31, 2005	1,363,948	104,650,448	9,493,167	11,559,930	127,067,493
Net Book value					
March 31, 2005	14,438,280	88,812,484	27,441,688	3,285,471	133,977,923
March 31, 2004	22,740,991	71,182,500	22,451,566	5,027,945	121,403,002
March 31, 2003	32,564,243	71,052,688	13,340,543	1,535,854	118,493,328

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(SAUDI PARTNERSHIP COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED MARCH 31, 2005

9. DUE TO BANKS

Due to banks comprised the following overdrafts and loans at March 31:

	2005	
	Long-term loan SR	Overdraft SR
Gulf International Bank	20,000,000	
Riyad Bank	-	5,457,355
Arab National Bank	-	2,736
	20,000,000	5,460,091
Current portion of long-term loan	(13,333,333)	
	<u>6,666,667</u>	
	2004	
	Long-term loan SR	Overdraft SR
Gulf International Bank	33,333,333	-
Riyad Bank	-	6,773,513
Arab National Bank	-	44,670
	33,333,333	6,818,183
Current portion of long-term loan	(13,333,333)	
	<u>20,000,000</u>	
	2003	
	Long-term loan SR	Overdraft SR
Gulf International Bank	40,000,000	-
Riyad Bank	-	6,742,785
Arab National Bank	-	1,195,428
	40,000,000	7,938,213
Current portion of long-term loan	(6,666,667)	
	<u>33,333,333</u>	

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(SAUDI PARTNERSHIP COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED MARCH 31, 2005

Bank loans and overdraft facilities are granted by local and foreign banks and are collateralized by the personal guarantees of the partners, land, assignment of rental proceeds and sales revenue from one of the Company's retail locations. In addition certain land deeds are registered in the name of the banks.

The annual commission rate charged on all bank facilities ranged from 2.5% to 4.5% during the year.

10. OTHER PAYABLES AND ACCRUALS

Other payables and accruals are comprised of the following as of March 31:

	2005	(Notes 2 & 6)	
	SR	2004	2003
	SR	SR	SR
Payable to contractors and other	3,029,376	4,799,125	19,074,311
Zakat provision (note 11)	7,893,129	7,352,854	4,595,379
Employees' benefits	7,227,355	6,702,861	8,392,923
Rent	7,229,285	12,314,729	10,018,061
Customs and shipping	309,721	2,623,093	1,183,682
Interest charges	839,439	1,753,668	1,028,945
Accrued expenses	3,528,734	1,061,891	51,891
Other	9,048,171	546,551	3,901,790
	39,105,210	37,154,772	48,246,982

11. ZAKAT

The Company and its subsidiaries presents their zakat and income tax returns to the Department of Zakat and Income tax on an individual Company basis.

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

	2005
	SR
Non current assets	307,375,807
Non current liabilities	29,352,978
Share capital	240,646,178
Net income before zakat	177,562,988

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(SAUDI PARTNERSHIP COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED MARCH 31, 2005

Some of these amounts have been adjusted in arriving at the Zakat charge for the year,

The movement in zakat provision for Fawaz Abdulaziz Al Hokair & Co. is as follows:

	(Notes 2 & 6)		
	2005	2004	2003
	SR	SR	SR
Balance, beginning of year	7,352,854	4,595,379	4,762,840
Provision for the year	3,100,000	4,610,864	2,530,000
Payments during the year	(2,559,725)	(1,853,389)	(2,697,461)
Balance, end of year	7,893,129	7,352,854	4,595,379

The Company has finalized its assessments up to year 2000 and obtained the final zakat certificate.

Zakat returns for years ended March 31, 2001, 2002, 2003 and 2004 are under review by the Zakat Department.

12. SELLING AND MARKETING EXPENSES

	(Notes 2 & 6)		
	2005	2004	2003
	SR	SR	SR
Rent	111,288,234	85,124,793	75,526,338
Employees' salaries and related expenses	66,145,036	53,210,054	39,044,557
Advertising and publishing	19,011,320	18,759,540	8,257,207
Travel	3,852,244	1,949,235	1,893,863
Others	18,002,003	15,908,630	11,574,235
	218,298,837	174,952,252	136,296,200

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(SAUDI PARTNERSHIP COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED MARCH 31, 2005

13. GENERAL AND ADMINISTRATIVE EXPENSES

	2005	(Notes 2 & 6)	
		2004	2003
	SR	SR	SR
Employees' salaries and related expenses	17,869,864	17,819,398	12,893,710
Travel expenses	1,336,358	715,921	661,020
Donations	3,325,272	2,438,988	1,800,832
Rent	2,417,966	2,716,464	482,979
Insurance	318,674	155,435	117,242
Others	6,272,429	7,235,940	7,828,382
	31,540,563	31,082,146	23,784,165

14. CONTINGENT LIABILITIES

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

	2005	(Notes 2 & 6)	
		2004	2003
	SR	SR	SR
Letters of credit	89,158,204	76,609,685	58,385,921
Letters of guarantee	33,858,105	35,992,086	33,375,225

Summarized below are the rental commitments under operating lease arrangements at March 31, 2005:

Years	Amount
Less than one year	45,675,245
One to five years	28,543,112
More than five years	112,110

9. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of AlHokair financial condition and results of operation is based upon and should be read in conjunction with the audited financial statements as at and for the years ended 31 March 2003G, 2004G and 2005G and the notes thereto, each of which have been audited by Deloitte & Touche Baker Abulhair & Co.

The Management's Discussion and Analysis of Financial Condition and Results of Operations section contains forward-looking statements that involve risks and uncertainties. Actual results for the Company could differ materially from those contemplated by these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly in the "Risk Factors" section.

9.1 Current Directors' Declaration for Financial Information

The Current Directors declare that the financial information presented in the Prospectus is extracted without material change from the Audited Financial Statements and that the Audited Financial Statements have been prepared in accordance with SOCPA Accounting Standards.

The Directors further declare that there has been no material adverse change in the financial or trading position of the Company during the last three years ending 31 March 2003G, 2004G and 2005G and up to the date of this Prospectus.

9.2 Results of Operations

The following tables summarize the audited income statements for the fiscal years ending 31 March 2003G, 2004G and 2005G.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Exhibit 9-1: Summary Income Statements (SAR '000)

	Year Ended 31 March		
	2005	2004	2003
Retail sales	999,277	736,626	572,459
Cost of sales	(524,579)	(363,942)	(273,358)
Gross profit	474,698	372,684	299,101
Selling & marketing expenses	(218,299)	(174,952)	(136,296)
General & administrative expenses	(31,540)	(31,082)	(23,784)
Depreciation & amortization	(49,101)	(47,716)	(40,635)
Net Operating income	175,758	118,934	98,386
Finance charges	(4,041)	(6,036)	(8,756)
Other income, net	6,876	1,639	1,311
Net Income before Zakat	178,593	114,537	90,941
Zakat	(4,130)	(5,027)	(2,835)
Net income	174,463	109,510	88,106

Source: Audited Financial Statements

Exhibit 9-2: Income Statements as a Percentage of Retail Sales

	Year Ended 31 March		
	2005	2004	2003
Retail sales	100.00%	100.00%	100.00%
Cost of sales	52.50%	49.41%	47.75%
Gross profit	47.50%	50.59%	52.25%
Selling & marketing expenses	21.85%	23.75%	23.81%
General & administrative expenses	3.16%	4.22%	4.15%
Depreciation & amortization	4.91%	6.48%	7.10%
Net Operating income	17.58%	16.14%	17.19%
Finance charges	0.40%	0.82%	1.53%
Other income, net	0.69%	0.22%	0.23%
Net Income before Zakat	17.87%	15.55%	15.89%
Zakat	0.41%	0.68%	0.50%
Net income	17.46%	14.87%	15.39%

Source: Audited Financial Statements

The Company's sales in 2005G were SAR 999.2 million compared to SAR 736.6 million in 2004G. A growth in total sales is attributable to the increase in number of stores to 451 by March 2005G and an increase in the number of brands to 35 brands by 31 March 2005G.

Exhibit 9-3: Number of Brands and Stores of AlHokair

	Year Ended 31 March		
	2005	2004	2003
Number of brands	35	29	26
Number of stores	451	361	335

Source: AlHokair

As of 31 March 2005G, number of stores grew to 451 compared to 361 stores for the same period of the previous year.

Exhibit 9-4: Distribution of Stores and Sales by Region

	Year Ended 31 March 2005			
	Central	West	East	Total
Number of stores	221	145	85	451
Total sales (SAR)	433,161	357,365	208,751	999,277
Contribution of region to total sales (%)	43%	36%	21%	100%

Source: AlHokair

The Central region which encompasses the capital city of Riyadh had the highest contribution percentage to total sales in 2005G recording 43% as a result of the steady growth in population, in addition to growing consumer awareness and spending power. This growth is also reflected in the number of stores. With 36% of total sales in 2005G, the Western region came second due to the significant role that Jeddah and Makkah cities play in all trade activities in Saudi Arabia.

9.2.1 Sales Volumes and Prices

Exhibit 9-5: Sales by Highest Income Generating Brands (SAR '000)

	Year Ended 31 March		
	2005	2004	2003
Central Region			
ZARA	76,950	62,651	60,990
Promod	40,695	36,339	30,679
Marks & Spencer	28,536	-	-
Monsoon/Accessorize	25,947	19,706	13,384
Lasenza	23,331	21,250	18,087
Others	237,702	184,267	127,089
Sub-total	433,161	324,213	250,229
Western Region			
ZARA	74,607	58,777	57,474
Promod	45,649	34,718	28,655
Lasenza	29,073	26,938	22,109
Marks & Spencer	25,830	-	-
Adams	25,628	21,886	16,176
Others	156,578	118,442	83,166
Sub-total	357,365	260,761	207,580
Eastern Region			
ZARA	54,178	36,651	29,960
Promod	24,158	20,857	16,428
Lasenza	15,699	14,682	14,402
Adams	14,346	14,236	12,277
Monsoon/Accessorize	12,525	9,414	5,031
Others	87,845	55,812	36,552
Sub-total	208,751	151,652	114,650
Total	999,277	736,626	572,459

Source: AlHokair

As shown in the Exhibit 10-5 above, ZARA and Promod represents the highest income generating brands in the three main geographical areas in the Kingdom in 2005G. ZARA contributed about 18%, 21% and 26% to the Central, Western and Eastern regions

respectively, whereas, Promod contributed 9%, 13% and 12% in the three regions respectively.

Sales prices of the Company are mainly determined by brands partners and are generally set in line with sales prices world wide especially Europe, the home land of most of the brands. However, the Company sets and follows certain markdown and discount policies to help achieving its sales objectives and in accordance with management's strategic plans.

9.2.2 Operating Income

Exhibit 9-6: Statements of Operating Income (SAR '000)

	Year Ended 31 March		
	2005	2004	2003
Retail sales	999,277	736,626	572,459
Cost of sales	(524,579)	(363,942)	(273,358)
Gross profit	474,698	372,684	299,101
Selling & marketing expenses	(218,299)	(174,952)	(136,296)
General & administrative expenses	(31,540)	(31,082)	(23,784)
Depreciation & amortization	(49,101)	(47,716)	(40,635)
Net Operating income	175,758	118,934	98,386
% of Sales	17.58%	16.14%	17.19%

Source: Audited Financial Statements

Operating income increased by 21% in 2004G to SAR 118.9 million and by 48% in 2005G to SAR 175.7 million.

During the last two years, average growth in operating income reached 35% per annum due to strong growth in sales from SAR 736.6 million in 2004G to SAR 999.2 million in 2005G primarily a result of the additions of new stores and brands. The number of stores increased by 25% in 2005G to 451 stores constituting a wide chain of various brands spread all over the Kingdom.

Other income as of 31 March 2005G was SAR 6.8 million, respectively. The following is a breakdown of other income:

Exhibit 9-7: Breakdown of Other Income

	31 March 2005
Rental income from Kingdom Tower	3,000
Key money from pre-mature handing over leased shops	2,500
Foreign currency exchange gain	786
Financing income	-
Miscellaneous	590
Total	6,876

Source: AlHokair

9.2.3 Cost of Sales

Exhibit 9-8: Cost of Sales (SAR '000)

	Year Ended 31 March		
	2005	2004	2003
Purchases	472,121	327,548	246,022
Freight in, custom duty and others	52,458	36,394	27,336
Total Cost of Sales	524,579	363,942	273,358

Source: AlHokair

Cost of sales increased to SAR 363.9 million in 2004G and to SAR 524.5 million in 2005G as a result of increase in sales. Gross profit margin remained almost unchanged at an average of around 50% for the period from 2003G to 2005G. Purchases estimated at an average of 90%, represented the major element of cost of sales.

9.2.4 Selling and Marketing Expenses

Exhibit 9-9: Selling and Marketing Expenses (SAR '000)

	Year Ended 31 March		
	2005	2004	2003
Rent	111,288	85,125	75,526
Employees' salaries and related expenses	66,145	53,210	39,045
Advertising and publishing	19,012	18,759	8,257
Travel	3,852	1,949	1,894
Others	18,002	15,909	11,574
Selling and marketing expenses	218,299	174,952	136,296

Source: Audited Financial Statements

Selling and marketing expenses include costs incurred by the Company in relation to selling and marketing activities, whether directly in marketing the Company's brands or indirectly through staff expenses of employees working within respective departments.

Rent expense represents the major element of selling and marketing expenses constituting an average of 52% of the total selling and marketing expenses during the last two years. The second major element of selling and marketing expenses is employees' salaries and benefits, which represented about 30% of the total expenses in the last two years.

Advertising expense is another significant item under selling and marketing expenses representing an average of 9% over the last three years.

9.2.5 General and Administrative Expenses

Exhibit 9-10: General and Administrative Expenses (SAR '000)			
	Year Ended 31 March		
	2005	2004	2003
Employees' Salaries and related expenses	17,870	17,819	12,894
Travel expenses	1,336	716	661
Donations	3,325	2,439	1,801
Rent	2,418	2,716	483
Insurance	319	155	117
Others	6,272	7,237	7,828
General and administration expenses	31,540	31,082	23,784
% of Total			
Employees' Salaries and related expenses	56.65%	57.33%	54.21%
Travel expenses	4.24%	2.30%	2.78%
Donations	10.54%	7.85%	7.57%
Rent	7.67%	8.74%	2.03%
Insurance	1.01%	0.50%	0.50%
Others	19.89%	23.28%	32.91%
Total	100.00	100.00%	100.00%

Source: Audited Financial Statements

Employees' salaries and other benefits of general and administrative expenses remained almost the same during in 2004G and 2005G representing about 57% of total general and administration expenses.

9.2.6 Net Income

Exhibit 9-11: Net Income (SAR '000)			
	Year Ended 31 March		
	2005	2004	2003
Retail sales	999,277	736,626	572,459
Cost of sales	(524,579)	(363,942)	(273,358)
Gross profit	474,698	372,684	299,101
Operating income	175,758	118,934	98,386
Finance charges	(4,041)	(6,036)	(8,756)
Net Income before Zakat	178,593	114,537	90,941
Net income	174,463	109,510	88,106
% of Sales			
Retail sales	100.00%	100.00%	100.00%
Cost of sales	52.50%	49.41%	47.75%
Gross profit	47.50%	50.59%	52.25%
Operating income	17.59%	16.15%	17.19%
Finance charges	0.40%	0.82%	1.53%
Net Income before Zakat	17.87%	15.55%	15.89%
Net income	17.46%	14.87%	15.39%

Source: Audited Financial Statements

Net income grew to SAR 174.4 million in 2005G and to SAR 109.5 million in 2004G. The growth in net income is mainly attributable to the growth in sales by 29% in 2004G and 36% in 2005G.

9.3 Financial Condition, Liquidity and Other Items

The major source of Company's liquidity is its operations, a source of funds that supports the Company's growth, dividend payments and capital expenditures.

In 2005G, cash balance was SAR 2.5 million, a decrease by SAR 0.4 million from 2004G. This insignificant decrease in cash balance is attributable to the increase in cash used in investing activities during 2005G.

Exhibit 9-12: Summary of Cash Flow Statements (SAR '000)

	Year Ended 31 March		
	2005	2004	2003
Provided by operating activities	166,280	115,901	101,173
(Used in) investing activities	(60,000)	(43,401)	(112,697)
(Used in) provided by financing activities	(106,681)	(111,366)	40,193
(Decrease) increase in cash	(401)	(38,866)	28,669
Cash at beginning of period	2,922	41,788	13,119
Cash at end of period	2,521	2,922	41,788

Source: Audited Financial Statements

9.3.1 Cash Flows from Operating Activities

Net cash flows provided by operating activities increased from SAR 115.9 million in 2004G to SAR 166.2 million in 2005G due to the noticeable increase in net income before Zakat for the year 2005G, which reached approximately 56%. This increase is also attributable to the increase in trade payable account from SAR 54.2 million in 2004G to SAR 90.7 million in 2005G. In addition, the reserve account increased from SAR 150.5 million from year 2004G to SAR 231.3 million for year 2005G due to an increase in goods available for sale, which recorded SAR 225.1 million in 2005G due to the addition of new stores and brands.

Exhibit 9-13: Summary of Operating Cash Flows (SAR '000)

	Year Ended 31 March		
	2005	2004	2003
Net Income before Zakat	178,593	114,537	90,941
Depreciation and amortization	49,101	47,716	40,635
End of service indemnities	2,611	1,780	1,440
Diminution in value of investment	-	-	-
Net change in working capital	(64,025)	(48,132)	(31,843)
Operating activities cash flows	166,280	115,901	101,173

Source: Audited Financial Statements

9.3.2 Cash Flows from Investing Activities

Net cash flows used in investing activities amounted to SAR 59.9 million in 2005G compared to SAR 43.4 million in 2004G, an increase of SAR 16.6 million. This increase is due to additions of fixed assets primarily a result of increased store fit-outs.

Exhibit 9-14: Summary of Investing Cash Flows (SAR '000)

	Year Ended 31 March		
	2005	2004	2003
Capital expenditures	(56,803)	(44,455)	(112,924)
Deferred charges	(3,196)	1,054	227
Cash flows used in investing activities	(59,999)	(43,401)	(112,697)

Source: Audited Financial Statements

9.3.3 Fixed Assets

Exhibit 9-15: Breakdown of Fixed Assets (SAR '000)

	Buildings	Leasehold improvement	Furniture & Equipment	Motor Vehicles	Total
<u>31 March 2005</u>					
Cost	15,802	193,463	36,935	14,845	261,045
Accumulated depreciation	(1,364)	(104,650)	(9,493)	(11,560)	(127,067)
Net book value	14,438	88,813	27,442	3,285	133,978
<u>31 March 2004</u>					
Cost	26,552	137,309	29,511	13,722	207,094
Accumulated depreciation	(3,811)	(66,127)	(7,059)	(8,694)	(85,691)
Net book value	22,741	71,182	22,452	5,028	121,403
<u>31 March 2003</u>					
Cost	36,892	101,639	18,058	7,594	164,183
Accumulated depreciation	(4,328)	(30,586)	(4,717)	(6,058)	(45,689)
Net book value	32,564	71,053	13,341	1,536	118,494

Source: Audited Financial Statements

Property and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalised. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method.

Net book value of fixed assets increased from SAR 121.4 million in 2004G to SAR 133.9 million in 2005G due to fixed assets additions. Major additions to fixed assets during 2003G, 2004G, and 2005G included leasehold improvements accounting for SAR 101.6 million, SAR 35.6 million, and SAR 56.1 million respectively.

9.3.4 Cash Flows from Financing Activities

Net cash flows used in financing activities was SAR 106.6 million in 2005G, a decrease by SAR 4.6 million from 2004G primarily a result of SAR 31.5 million withdrawals by the Company's Shareholders.

Exhibit 9-16: Summary of Financing Cash Flows (SAR '000)

	Year Ended 31 March		
	2005	2004	2003
Withdrawals by shareholders	(54,063)	(22,579)	(537)
Bank loans and overdrafts	(14,691)	(7,787)	40,730
Dividends paid	(37,927)	(81,000)	-
Cash flows (used in) provided by financing activities	(106,681)	(111,366)	40,193

Source: Audited Financial Statements

The Company received several short and long term bank loans and guarantees from commercial banks to facilitate Company activities. (for additional information see Legal Information Section - "Financing Agreements").

9.3.5 Dividends

The Company paid dividends of SAR 81.0 million and SAR 37.9 million during 2004G and 2005G respectively. The Company did not declare dividends during 2003G.

9.3.6 Working Capital

Exhibit 9-17: Summary of Working Capital (SAR '000)

	Year Ended 31 March		
	2005	2004	2003
Current assets	310,534	212,677	212,691
Current liabilities	(148,578)	(111,573)	(110,279)
Working Capital	161,956	101,104	102,412

Source: Audited Financial Statements

Working capital increased from SAR 101.1 million in 2004G to SAR 161.9 million in 2005G. It represented 52% of total current assets in 2005G while, on average, represented 49% of the Company's total current assets during the last three years.

The Board of Directors and the Company's management confirm that the Company has working capital sufficient for a period of 12 months following the date of this Prospectus.

9.3.7 Commitments and Contingencies

The Company's contingent liabilities and commitments are as follows:

Exhibit 9-18: Commitments and Contingencies (SAR '000)

	Year Ended 31 March		
	2005	2004	2003
Commitments – Long term lease	74,330	-	-
Commitments – Letters of credit	89,158	76,610	58,386
Contingencies – letters of guarantees	33,858	35,992	33,375

Source: Audited Financial Statements

Letters of credit increased by approximately 16% to SAR 89.1 million in 2005G primarily as a result of adding new brands to the Company's portfolio and increased purchases volume.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Letters of guarantees remained at similar levels amounting to SAR 33.3 million, SAR 35.9 million, and SAR 33.8 million during 2003G, 2004G, and 2005G, respectively. Letters of guarantees relate primarily to purchases of merchandises.

Operating lease payments represent rentals payable by the Company for land rented for the purpose of construction of building for renting purposes. Leases are negotiated for a period ranging from 5 to 25 years.

9.4 Statement of Management's Responsibility for Financial Information

The Management's Discussion and Analysis of Financial Condition and Results of Operations has been drafted by the Management of the Company and approved by the Current Directors. Except as set forth in this Prospectus, the Management believes that there has been no material adverse change in the financial position or prospects of the Company since 1 April 2006G and accepts full responsibility for the authenticity and accuracy of the information and analysis of financial results and confirms, after making all reasonable inquiries, that full and fair disclosure has been made and there are no other information or documents the omission of which make any information or statements therein misleading

In addition, the Management declares that there are no mortgages, rights, and charges on the Company's properties as of the date of this Prospectus.

Management declares that there has been no interruption in the Company's operations with a significant impact on its financial condition over the past 12 months.

10. Dividend Record and Policy

It is the intention of AlHokair to make annual dividend payments with a view to maximizing shareholder value commensurate with the Company's earnings, its financial condition, the condition of the markets, the general economic climate, and other factors, including analysis of investment opportunities and reinvestment needs, cash and capital requirements, business prospects, and the effect of such dividends on the Company's Zakat position, as well as other legal and regulatory considerations. Dividends will be distributed in Saudi Riyal.

The Company distributed dividends of SAR 133.00 million, 37.90 million and SAR 81.00 million for the years ended 31 March 2006G, 2005G and 2004G respectively. The Company did not distribute any dividends in 2003G.

Although it is AlHokair intention to pay annual dividends to its shareholders, the Company does not make any assurance that any dividend will actually be paid, or any assurance as to the amount, which will be paid in any given year. The distribution of dividends is subject to certain limitations contained in the Company's Bylaws.

The Offer Shares will be entitled to receive dividends declared by the Company from the date of commencement of the Offering Period and subsequent fiscal years.

11. Capitalization and Indebtedness

The table below sets out the capitalization of AlHokair as derived from the audited financial statements as at and for year ended 31 March 2006G. The following table should be read in conjunction with the Financial Statements of AlHokair, including the notes thereto, in the “Recent Developments” section of the Prospectus.

Exhibit 11-1: AlHokair Capitalization

For the Year Ended 31 March 2006G (SAR ‘000)

Liabilities:

Current.....	217,524
Non-Current.....	14,661
Total Liabilities	232,185

Shareholders’ equity:

Capital	400,000
Retained earnings.....	102,180
Statutory reserve	24,635
Total shareholders’ equity.....	526,815

Total capitalization..... 759,000

Source: Audited Financial Statements

The Directors confirm that the Company does not have any debt instruments as of the date of the Prospectus apart from the commitments and contingencies specified in the “Financing Agreements” section (page 103) of this Prospectus.

The share capital of the Company is SAR 400 million consisting of 40 million shares with a par value of SAR 10 each. AlHokair confirms that neither of the Company’s capital nor the capital of any affiliates is under option.

Exhibit 11-2: AlHokair Ownership Structure

	Pre-Offering			Post-Offering		
	Shares	%	Capital (SAR)	Shares	%	Capital (SAR)
Shareholders	SAR 10 par value per share			SAR 10 par value per share		
Fawaz Abdulaziz AlHokair	4,000,000	10.00	40,000,000	2,800,000	7.00	28,000,000
Salman Abdulaziz AlHokair	4,000,000	10.00	40,000,000	2,800,000	7.00	28,000,000
Abdulmajeed Abdulaziz AlHokair	4,000,000	10.00	40,000,000	2,800,000	7.00	28,000,000
FAS Saudi Holding Company.	14,000,000	35.00	140,000,000	9,800,000	24.50	98,000,000
Fawaz A. AlHokair and Company Holding Company	14,000,000	35.00	140,000,000	9,800,000	24.50	98,000,000
Total - Selling Shareholders	40,000,000	100.00	400,000,000	28,000,000	70.00	280,000,000
Total - Subscribers	-	-	-	12,000,000	30.00	120,000,000
Total	40,000,000	100.00	400,000,000	40,000,000	100.00	400,000,000

Source: AlHokair

12. Use of Proceeds

The total proceeds from the Offering are estimated at SAR 1,320,000,000 of which SAR 42,000,000 relate to fees and expenses in connection with the Offering including fees of each of the financial adviser, legal adviser to the Offering, reporting accountants, in addition to underwriting expenses, receiving bank expenses, marketing expenses, printing and distribution expenses and other Offering related expenses. The net proceeds of SAR 1,278,000,000 will be distributed to the Selling Shareholders on pro-rata basis on each Selling Shareholder's percentage ownership in the Shares being sold in the Offering. The Company will not receive any part of the proceeds from the Offering.

No commissions, discounts, brokerages or other non-cash compensation were granted by the Company in the two years immediately preceding the date of this Prospectus. The Selling Shareholders will bear all Offering expenses.

13. Description of the Shares

13.1 Share Capital

AlHokair share capital is four hundred million Saudi Riyals (SAR 400,000,000), divided into forty million (40,000,000) nominal shares of SAR 10 each, all of which are cash shares representing the entire paid-in capital of the Company upon Conversion.

Once it is ascertained to be economically feasible and after obtaining the approval of the competent authorities, the General Assembly may, in an Extraordinary Meeting, adopt a resolution to increase the Company's capital once or several times by issuing new shares having the same nominal value as the original shares, provided that the original capital shall have been paid in full, with due consideration to the requirements of the Regulations for Companies. The said resolution shall specify the method of increasing the capital, and the Shareholders shall have pre-emptive rights to subscribe for the new cash shares. The said shares shall be allotted to the original Shareholders who have expressed their desire to subscribe thereto, in proportion to the original shares owned by them, provided that the number of shares allotted to them shall not exceed the number of new shares they have applied for. The remaining new shares shall be allotted to the original Shareholders who have asked for more than their proportionate share, in proportion to the original shares they own, provided that that their total allotment does not exceed the number of new shares they have asked for.

The Company may, based on certain justifiable causes, reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision must be made through a resolution adopted by the General Assembly in an Extraordinary Meeting, and requires approval of the Minister of Commerce and Industry. Such resolution shall be issued only after reading the auditor's report on the reasons calling for such reduction, the liabilities of the Company and the effect of the reduction on such liabilities, with due consideration to the provisions of the Regulations for Companies. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

13.2 Shareholders' Rights

Each Share shall give its holder equal rights in the Company's assets and dividends as well as the right to attend and vote at meetings of the General Assembly.

13.3 Shareholders Assemblies

A General Assembly duly convened shall be deemed representing all the Shareholders, and shall be held in the city where the Company's head office is located.

Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened whenever needed.

The Extraordinary General Assembly shall have the power to amend the Company's Bylaws, except for such provisions as may be impermissible to be amended under the Regulations for Companies. Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions applicable to the latter.

A notice of the date and agenda of the General Assembly shall be published in the Official Gazette and in a daily newspaper circulated in the city where the Company's head office is located at least twenty-five (25) days prior to the time set for such meeting. Notwithstanding the foregoing, it is sufficient to send invitations by registered mail to all the Shareholders. A copy of the invitation and the agenda shall be sent to the responsible authorities within the aforementioned notice period.

The Board of Directors shall convene a meeting of the Ordinary General Assembly if requested to do so by the Auditors or by a number of Shareholders representing at least five percent (5%) of the Company's capital.

The meeting of the Ordinary General Assembly shall not have a quorum unless attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened within the following thirty (30) days. Such notice shall be published in the same manner described above. The second meeting shall be deemed valid irrespective of the number of shares represented.

To have a quorum, the meeting of the Extraordinary General Assembly should be attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such requirement is not met in the first meeting, a second meeting shall be convened within the following thirty (30) days. The second meeting shall be considered as having the quorum if attended by a number of Shareholders representing at least one-quarter (1/4) of the Company's capital.

The General Assembly shall be presided over by the Chairman of the Board of Directors or, in his absence, the representative designated by him. The Chairman shall appoint a secretary for the meeting and a canvasser. Minutes shall be prepared for the meeting showing the names of Shareholders present in person or represented by proxy, the number of the shares held by each, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the secretary and the vote collector.

13.4 Voting Rights

Each Shareholder owning twenty (20) Shares (or more) shall have the right to attend the General Assemblies, and each Shareholder may authorize another Shareholder, other than the members of the Board of Directors, to attend the General Assembly on his/its behalf. Votes at the meetings of Ordinary and Extraordinary General Assemblies shall be computed on the basis of one vote for each share represented at the meeting.

Resolutions of the Ordinary General Assembly shall be adopted by an absolute majority of the shares represented thereat.

Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two thirds (2/3) of the shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's period, dissolving the Company prior to the expiry of the period specified under the Company's Bylaws or merging the Company with another company or establishment, then such resolution shall be valid only if adopted by a majority of three-quarters (3/4) of the shares represented at the meeting.

Each Shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions to the members of the Board and the auditor in this respect. The Board of Directors or the Auditor shall answer the Shareholders' questions to the extent that does not jeopardize the interest of the Company. Should a Shareholder consider the reply unsatisfactory, he can resort to the General Assembly whose resolution is to be considered as final.

13.5 The Shares

The Shares shall be nominal shares and may not be issued at less than their nominal value. However, new shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the statutory reserve, even if the reserve has reached its maximum limit. A Share shall be indivisible vis-à-vis the Company. In the event that a Share is owned by several persons, they shall select one person from amongst them to exercise, on their behalf, the rights pertaining to the Share, and they shall be jointly responsible for the obligations arising from the ownership of the Share.

The transfer of Shares shall be governed by and comply with the regulations governing companies listed on Tadawul. Transfers made other than in accordance with the Company's Bylaws shall be void.

13.6 Duration of the Company

The duration of the Company shall be ninety-nine (99) Gregorian years commencing on the date of issuance of the Minister of Commerce's resolution announcing the Conversion of the Company. The Company's period may always be extended by a resolution of the Extraordinary General Assembly taken at least one year prior to the expiration of the term of the Company.

13.7 Dissolution and Winding-up of the Company

Upon the expiry of the Company's period, or if it is dissolved prior to the time set for the expiry thereof, the Extraordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidators and specify their powers and fees. The powers of the Board of Directors shall cease upon the expiry of the Company's term. However, the Board of Directors shall remain responsible for the management of the Company until the liquidators are specified. The Company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidators.

14. Summary of the Company's By-Laws

Name of the Company: The name of the Company shall be Fawaz Abdulaziz AlHokair and Company, a Saudi joint stock company.

Objectives of the Company: To import military cloths and materials. Retail and wholesale trade in ready-made clothes, shoes, textile, motor vehicles, home and office furniture, electrical equipments, natural perfumes and makeup, makeup tools and beauty materials, classic jewellers, tents, reading glasses, sunglasses, optical, optical equipments and its accessories; to operate optical centres; to carry on retail and wholesale trade in sport clothes, sport shoes and sport equipments, and telecommunication equipments, its spare parts, its maintenance and its operations; to carry on construction and maintenance of buildings and roads; to establish and operate restaurants; and to establish commercial agencies businesses.

Head Office of the Company: The Company's head office shall be in the city of Riyadh.

Duration of the Company: The duration of the Company shall be ninety-nine (99) years commencing on the date of issuance of the Minister of Commerce and Industry's resolution announcing the Conversion of the Company. The Company's period may always be extended by a resolution of the Extraordinary General Assembly taken at least one year prior to the expiration of the term of the Company.

Capital of the Company: The share capital of the Company is fixed at four hundred million Riyals (SAR 400,000,000) divided into forty million (40,000,000) equal shares, the nominal value of each is ten Saudi Riyals (SAR 10) and are all ordinary shares representing the capital of the Company upon Conversion

Shareholders of the Company: The owners of the Company's shares at the time of Conversion are the current shareholders. The remaining twelve million (12,000,000) shares representing 30% of the share capital of the Company shall be offered for public subscription through Saudi Arabian banks according to the Regulations for Companies and the Capital Market Law and its implementing regulations.

Preferred Shares: Upon approval of, and in accordance with guidelines set by the Minister of Commerce and Industry, the Company may issue non-voting preferred shares in an amount not to exceed fifty percent (50%) of the Company's capital. The Company may purchase these shares in accordance with a resolution of the Board of Directors. These shares do not factor into calculation of the quorum required to hold a General Assembly, pursuant to Articles (34) and (35) of the Company's By-Laws.

In addition to their right to receive dividends, holders of such shares shall be granted the following:

a) The right to a specified percentage of net profits, after deducting statutory reserves and before distributing any of the Company's profits, in an amount not less than five percent (5%) of the par value of each share,

b) Preference in recovery of the value of their shares upon liquidation of the Company, and in receiving any specified proceeds from such liquidation.

Bonds: The Company may issue negotiable and indivisible bonds of equal value against the borrowings it contracts in accordance with the Companies Regulations.

Transfer of Shares: The shares, except for founders' shares, shall be transferable in accordance with the rules and regulations of the Capital Market Authority. Founders' shares may only be transferred with the prior approval of the Capital Market Authority. A notation shall be made on the respective share certificates, indicating their class, and the period during which each such certificate may not be transferred.

Shareholders Register: The nominal shares shall be transferred by being recorded in the Shareholders Register, which shall contain the names of the Shareholders, their nationalities, their occupations, their domicile and address, the serial numbers of the shares and the value paid-up on such shares. An annotation of such recording shall be made on the share certificates. The transfer of title to a share shall not be effective vis-à-vis the Company or any third party except from the date of such recording in the said Register or the completion of the transfer procedures through the Shares Information Computerized system. The subscription or ownership of the shares by a Shareholder shall mean the acceptance by the Shareholder of the Company's By-Laws and his submission to the resolutions duly passed by the General Assembly of the Shareholders in accordance with the Company's By-Laws, whether the Shareholder was present or absent and whether the Shareholder agreed to such resolutions or objected to them.

Increase of Capital: Once it is ascertained to be economically feasible and after obtaining the approval of the competent authorities, the General Assembly may, in an Extraordinary Meeting, adopt a resolution to increase the Company's capital once or several times by issuing new shares having the same nominal value as the original shares, provided that the original capital shall have been paid in full, with due consideration to the requirements of the Companies Regulations. The said resolution shall specify the mode of increasing the capital, and the Shareholders shall have pre-emptive rights to subscribe for the new cash shares. The Shareholders shall be notified of the pre-emptive rights vested in them by notice to be published in a daily newspaper addressing the capital increase resolution and the conditions of subscription, or by written notice to the shareholder by registered mail. Each Shareholder shall express the desire to exercise such pre-emptive rights, if they so wish, within fifteen (15) days of the publication of such notice or receipt of such notice by registered mail.

The said shares shall be allotted to the original Shareholders who have expressed their desire to subscribe thereto, in proportion to the original shares owned by them, provided that the number of shares allotted to them shall not exceed the number of new shares they have applied for. The remaining new shares shall be allotted to the original Shareholders who have asked for more than their proportionate share, in proportion to the original shares they own, provided that that their total allotment does not exceed the number of new shares they have asked for. Any remaining new shares shall be offered for public subscription.

Decrease of Capital: The Company may, based on certain justifiable causes, reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision must be made through a resolution adopted by the General Assembly in an Extraordinary Meeting, and requires approval of the Minister of Commerce and Industry. Such resolution shall be issued only after reading the auditor's report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations, with due consideration to the provisions of the Companies Regulations. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located.

Constitution of the Board of Directors: The Company shall be managed by a Board of Directors composed of seven (7) members to be appointed by the Ordinary General Assembly for a term of three years. The term of the Company's first Board of Directors shall be commencing as of the date of the Ministerial Resolution declaring the Company's Conversion. As an exception to the foregoing, the existing shareholders have appointed the Company's first Board of Directors for a term of five (5) years commencing as of the date of the Ministerial Resolution declaring the Company's Conversion, as follows¹¹:

No.	Name	Nationality	Position
1	Fawaz Abdulaziz AlHokair	Saudi	Chairman
2	Salman Abdulaziz AlHokair	Saudi	Director
3	Dr. Abdul Majeed Abdulaziz AlHokair	Saudi	CEO
4	Fawaz Abdulaziz AlHokair and Company Holding Company represented by Mr. Mansour Al Ajlan	Saudi	Director
5	FAS Saudi Holding Company represented by Mr. Ali Al-Gaith	Saudi	Director
6	To be appointed	-	Director
7	To be appointed	-	Director

Qualification Shares: Each member of the Board of Directors shall be a holder of a number of the Company's shares having a nominal value of no less than ten thousand Saudi Riyals (SAR 10,000). Such shares shall be deposited in a bank designated by the Minister of Commerce and Industry within thirty (30) days from the date of the appointment of the director

Vacancies: Membership of the Board of Directors shall be terminated upon the expiration of the appointment period, or resignation of the Director, or death of the Director, or if he is removed from his office by a resolution passed by a majority of 51% of the shares represented at an Ordinary General Assembly meeting or if he is convicted of an offence involving dishonesty, fraud or moral turpitude, or if he becomes bankrupt or makes any arrangement or compounds with his creditors. Termination of membership shall also occur under any law or regulations prevailing in Saudi Arabia.

Powers of the Board of Directors: Without prejudice to the powers conferred on the General Assembly, the Board of Directors shall be vested with full powers to manage the business of the Company and supervise its affairs within and outside Saudi Arabia. The Board of Directors is empowered, for example and without limitation, to ratify contracts and enter into bids, to establish companies in which the Company participates and make any necessary amendments, to approve the issuance of guarantees for banks, funds, and governmental loan institutions, and to certify all banking transactions. The Board is also empowered to sell, buy and mortgage real estate, movables and the Company's property. The Board of Directors is specifically empowered to contract loans with government financial funds and institutions and commercial loans with commercial banks and financial institutions for any term including terms exceeding three (3) years, provided that the Board shall ensure that the terms and conditions of any loan and related guarantees do not harm the Company and identify its resolution the best way to utilize such loans and the methods for their repayments. The Board of Directors may, for the benefit of the Company, discharge the Company's debtors of their debt obligations.

The Board of Directors may, within the limits of its jurisdiction, authorize and delegate one or more of its members or a third party to undertake a specific function or functions, and revoke such delegations in whole or in part.

¹¹ Two independent Directors will be elected during the Conversion General Assembly Meeting.

Remuneration of Board of Directors: Remuneration of the members of the Board of Directors (if any) shall be in accordance with Article 39 of the Company's By-Laws and shall be determined by the Ordinary General Meeting in accordance with the official decisions and instructions issued in this regard, within the limits of the provisions of the Companies Regulations and the laws or regulations complementary thereto. Directors may in addition be paid an attendance and transportation allowance as determined by the Board of Directors and the regulations and decisions issued in this respect.

Managing Director and Secretary: The Board of Directors shall appoint a Chairman from among its members. The Board of Directors may also appoint a Managing Director from among its members. The Board may choose one person to be the Chairman and the Managing Director at the same time. The Chairman shall have the powers to convene the Board to meet and preside over its meetings.

The Chairman and the Managing Director (in the event that one is appointed) shall be authorized to individually or jointly represent the Company in its relationship with others and before judicial bodies, Government departments, Notaries Public, courts of law, Commissions for settlements of disputes, Boards of Arbitration, Directorate of Civil Rights, Police Departments, Chambers of Commerce and Industry, to sign and execute all agreements, certificates and instruments including articles of association, winding-up resolutions, as well as any other contracts, deeds, and declarations, before public notaries or other official bodies, loan agreements with government financial funds and institutions and commercial banks and financial institutions, guarantees, mortgages, leases, and terminating them; to collect entitlements and settle obligations on behalf of the Company; to buy, sell, make and accept transfers, receive, deliver, rent, lease, collect and make payments, and to participate in tenders; to open bank and credit accounts and to withdraw and deposit from the same; to issue instruments, checks and all negotiable instruments; to authorize or delegate some or all of these powers to any other person or persons to do or cause to be done any act mentioned hereinabove, and to revoke such authorization or delegation in whole or in part.

The Board of Directors shall appoint a secretary from among its members or others, and shall specify his duties, remuneration and terms of service. The Secretary's duties shall include having the proceedings and resolutions of the Board of Directors written in minutes and recorded in a special register, intended for the said purpose, as well as maintaining and keeping such register.

The term of the office of the Chairman, the Managing Director and the Secretary – if the Secretary is a Board member – shall not exceed their respective term of service as Directors. The term of the Chairman, the Managing Director and the Secretary of the Board may be renewed.

Board Meetings: The Board of Directors shall be convened at least twice a year upon an invitation by the Chairman. Such call shall be made in writing and sent by registered mail or fax or by telex not less than two weeks prior to the date set for the meeting, unless otherwise agreed by the Board members. The Chairman of the Board shall call for a meeting if so requested by any two (2) Board members.

Quorum and Representation: A Board meeting shall be valid only if attended by at least four (4) members, three (3) of whom must attend in person.

Minutes of Meetings: The Board deliberations and resolutions shall be drawn in minutes to be signed by the Board Chairman and the Secretary. Such minutes shall be recorded in a special register to be signed by the Board Chairman and the Secretary.

Conflicts of Interest: Members of the Board of Directors must declare to the Board of Directors any personal interest, whether direct or indirect, in any proposal, transaction or contract made for the account of the Company. Such declaration must be recorded in the minutes of the Board meeting, and the interested Board member shall not participate in voting on the resolution to be adopted in this respect.

Executive Committee: The Board of Directors may appoint from among its members or third parties and management an Executive Committee. The Board of Directors shall appoint a Chairman from among the members of the Committee and shall specify the number of members of the Committee and the required quorum for its meetings. In accordance with the directions and guidelines prescribed by the Board from time to time, the Committee may exercise all of the powers authorised by the Board. The Executive Committee may not revoke or alter any of the resolutions adopted, or rules laid down, by the Board of Directors.

General Assembly: A General Assembly duly convened shall be deemed representing all the Shareholders, and shall be held in the city where the Company's head office is located.

Each Shareholder owning twenty shares (or more) shall have the right to attend the General Assemblies, and each Shareholder may authorize another Shareholder, other than the members of the Board of Directors, to attend the General Assembly on his/its behalf.

Ordinary General Assembly: Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened whenever needed.

Extraordinary General Assembly: The Extraordinary General Assembly shall have the power to amend the Company's By-Laws, except for such provisions as may be impermissible to be amended under the law. Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions applicable to the latter.

Manner of Convening General Assemblies: The General Assembly shall be convened by the Board of Directors. The Board of Directors shall convene a meeting of the Ordinary General Assembly if requested to do so by the Auditors or by a number of Shareholders representing at least five percent (5%) of the Company's capital.

Quorum of Ordinary General Assembly: A meeting of the Ordinary General Assembly shall be valid only if attended by Shareholders representing at least fifty-one percent (51%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be held within thirty (30) days following the time set for the preceding meeting. Such notice shall be published in the manner prescribed in Article (32) of the Company's By-Laws. The second meeting shall be deemed valid irrespective of the number of shares represented therein.

Quorum of Extraordinary General Assembly: A meeting of the Extraordinary General Assembly shall be valid only if attended by Shareholders representing at least fifty-one percent (51%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened in the same manner provided for in the preceding Article. The second meeting shall be valid only if attended by a number of Shareholders representing at least one-quarter (1/4) of the Company's capital.

Voting Rights: Each Share entitles the holder to one vote. Votes at the meetings of Ordinary and Extraordinary General Assemblies shall be computed on the basis of one vote for each share represented at the meeting.

Voting Majorities: Resolutions of the Ordinary General Assembly shall be adopted by an absolute majority of the shares represented thereat.

Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two thirds of the shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's period, dissolving the Company prior to the expiry of the period specified therefore under the Company's By-Laws or merging the Company with another company or establishment, then such resolution shall be valid only if adopted by a majority of three-quarters (3/4) of the shares represented at the meeting.

Rights of Shareholders at the Meetings of the General Assembly: Each shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the members of the Board and the auditors in this respect. The members of the Board or the auditors shall answer the Shareholders' questions to the extent that does not expose the Company's interest to any damage. If the Shareholder deems the answer to the question unsatisfactory, then he/it may refer the issue to the General Assembly and its decision in this regard shall be conclusive and binding.

Proceedings of the General Assembly: The General Assembly shall be presided over by the Chairman of the Board of Directors or, in his absence, the Director designated by him. The Chairman shall appoint a secretary for the meeting and a canvasser. Minutes shall be written for the meeting showing the names of the Shareholders present in person or represented by proxy, the number of the shares held by each, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the secretary and the canvasser.

Appointment of Auditor: The Company shall have one auditor or more to be selected from among the certified public auditors licensed to work in Saudi Arabia. The auditor shall be appointed annually and its compensation shall be fixed by the General Assembly. The General Assembly may further reappoint the same auditor.

Access to Records: The auditor shall have access at all times to the Company's books, records and any other documents, and may request information and clarification as it deems necessary. It may further check the company's assets and liabilities.

Auditor's Report: The auditor shall submit to the annual General Assembly a report showing how far the Company has enabled it to obtain the information and clarifications it has requested and what it has discovered of violations of the Companies Regulations and the Company's By-Laws and its opinion as to whether the Company's accounts conform to the facts.

Financial Year: The Company's fiscal year shall commence as on the 1st of April and expire on the 31st of March of each Gregorian year. However, the Company's first fiscal year shall cover the period commencing as of the date of issuance of the Ministerial Resolution announcing the Conversion of the Company and expiring on the 31st of March of the following year.

Annual Accounts: The Board of Directors shall prepare at the end of each fiscal year an inventory of the Company's assets and liabilities on such date, the Company's balance sheet and profit and loss account, a report on the Company's activities and its financial position for the preceding year and its proposals as to the distribution of the net profits. The Board of Directors shall perform the foregoing at least sixty (60) days prior to the convening of the annual Ordinary General Assembly. The Board of Directors shall put such documents at the auditor's disposal at least fifty-five (55) days prior to the time set for convening the General Assembly. The Chairman of the Board of Directors shall cause the Company's balance sheet, profit and loss account, a comprehensive summary of the Board of Directors' report and the full text of the auditor's report to be published in a newspaper circulated in the city where the Company's head office is located, and shall send copies of such documents to the Companies Department at the Ministry of Commerce of Industry at least twenty-five (25) days prior to the date set for convening the General Assembly.

Distribution of Annual Profits: After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

- a) Ten percent (10%) of the annual net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said reserve totals one-half (1/2) of the Company's capital.
- b) There shall be paid to the holders of preferred shares the specified percentage pertaining to such shares.
- c) The Ordinary General Assembly may, upon request of the Board of Directors, set aside a percentage of the annual net profits to form an additional reserve to be allocated for the purpose or purposes decided by the Ordinary General Assembly.
- d) Out of the balance of the profits, if any, there shall be paid to the Shareholders an initial payment of not less than five percent (5%) percent of the paid-up capital.
- e) Five percent (5%) of the remaining amount shall be paid as compensation to the members of the Board of Directors.
- f) The balance shall be distributed among the Shareholders as an additional share of the profits or transferred to retained profits account.

The Company may distribute semi-annual and quarterly profits after it has completed the necessary procedures put in place by the competent authorities

Distribution of Dividends: The profits to be distributed among the Shareholders shall be paid at such place and times as determined by the Board of Directors, in accordance with the instructions issued by the Ministry of Commerce and Industry.

Non-Distribution of Dividends: In the event of non-distribution of profits in any fiscal year, profits of forthcoming years shall not be distributed before the portion specified in Part (a) of Article (8) of the Company's By-Laws is paid to the owners of non-voting shares for that year. If the Company fails to pay this portion of the profits for a period of three consecutive years, the Private Assembly of these interest holders may, in accordance with Article 86 of the Companies Regulations, resolve to either attend the General Assemblies of the Company and participate in the voting thereof, or to designate representatives on their behalf in the Board of Directors, in accordance with their share of the Company capital. This shall remain the case until the Company manages to fully pay the initial profits for past years specified for the owners of such shares.

SUMMARY OF THE COMPANY'S BY-LAWS

Company Losses: If the Company's losses total three-quarters (3/4) of its capital, then the members of the Board of Directors shall call the Extraordinary General Assembly for a meeting to consider whether the Company shall continue to exist or be dissolved prior to the expiry of the period specified therefore under Article (5) of the Company's By-Laws. In all cases the Assembly's resolution shall be published in the Official Gazette.

Disputes: Each Shareholder shall have the right to file a liability action, vested in the Company, against the members of the Board of Directors if they have committed a fault which has caused some particular damage to such Shareholder, provided that the Company's right to file such action shall still be valid. The Shareholder shall notify the Company of his/its intention to file such action.

Dissolution and Winding up of the Company: Upon the expiry of the Company's period, or if it is dissolved prior to the time set for the expiry thereof, the Extraordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidators and specify their powers and fees. The powers of the Board of Directors shall cease upon the Company's expiry. However, the Board of Directors shall remain responsible for the management of the Company until the liquidators are specified. The Company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidators.

15. Legal Information

15.1 Franchise and Distribution Agreements

AlHokair and its subsidiaries (Al Waheeda Equipment Co. Ltd. And Haifa B. Al-Kalam and Partners International Co. for Trading) have entered into the following franchise and distribution agreements with foreign principals:

- Franchise Agreement dated 27 May 1997G entered into by AlHokair and Adams Childrenswear Limited, a company incorporated under the laws of the United Kingdom. The brand-name of the products distributed by AlHokair under this agreement is (**Adams**).
- Franchise Agreement dated year 2003G entered into by AlHokair and Tape A L'oeil, a company incorporated under the laws of France. The trade-name of the products distributed by AlHokair under this agreement is (**Tape A L'oeil**).
- Franchise Agreement dated 19 May 2004G. entered into by AlHokair and Textport SA, a company incorporated under the laws of Belgium. The brand-name of the products distributed by AlHokair under this agreement is (**Kiabi**).
- Franchise Agreement dated 1 June 2002G entered into by AlHokair and Nike European Operations Netherlands B.V., a company incorporated under the laws of the Netherlands. The brand-name of the products distributed by AlHokair under this agreement is (**Sports City**).
- Franchise Agreement dated 2002G entered into by AlHokair and Bestseller United M.E.S.A.L, a company incorporated under the laws of Lebanon. The brand-names of the products distributed by AlHokair under this agreement are (**Vero Moda**), (**Exit**) and (**Jack and Jones**).
- Franchise Agreement dated 2001G entered into by Haifa B. Al-Kalam and Partners International Co. for Trading and Aldo France SAS, a company incorporated under the laws of France. The brand-names of the products distributed by Haifa B. Al-Kalam and Partners International Co. for Trading under this agreement are (**Aldo**) and (**Spring**).
- Franchise Agreement dated 21 January 2002G entered into by Haifa B. Al-Kalam and Partners International Co. for Trading and Sergent Major, a company incorporated under the laws of France. The brand-name of the products distributed by Haifa B. Al-Kalam and Partners International Co. for Trading under this agreement is (**Sergent Major**).
- Franchise Agreement dated 26 April 1999G entered into by Al Waheeda Equipment Co. Ltd., ZARA Merken, B.V., a company incorporated under the laws of the Netherlands and Industria De Diseno Textil (trading under the name of Inditex), a company incorporated under the laws of Spain. The brand-names of the products distributed by Al Waheeda Equipment Co. Ltd. under this agreement are (**Oysho**), (**Bershka**), (**ZARA**) and (**ZARA Home**).
- Franchise Agreement entered dated 20 December 2005G entered into by AlHokair and Marks & Spencer Plc, a company incorporated under the laws of the United Kingdom. The brand-name of the products distributed by AlHokair under this agreement is (**Marks & Spencer**).
- Distribution Agreement dated 19 July 1999G entered into by AlHokair and Promod, a company incorporated under the laws of France. The brand-name of the products distributed by AlHokair under this agreement is (**Promod**).

LEGAL INFORMATION

- Distribution Agreement dated 7 June 1999G entered into by AlHokair and Nine West Group, a company incorporated under the laws of the USA. The brand-name of the products distributed by AlHokair under this agreement is (**Nine West**).
- Franchise Agreement dated 30 September 1999G entered into by AlHokair and Grupo Massimo Dutti S.A., a company incorporated under the laws of Spain. The brand-name of the products distributed by AlHokair under this agreement is (**Massimo Dutti**).
- Franchise Agreement dated 1 February 2000G entered into by AlHokair and Stylo Barratt Shoes Limited, a company incorporated under the laws of the United Kingdom. The brand-names of the products distributed by AlHokair under this agreement are (**Stylo**) and (**Priceless**) and (**Barrats**).
- Franchise Agreement dated 29 April 1999G entered into by AlHokair and Alexon International Limited, a company incorporated under the laws of the United Kingdom. The brand-name of the products distributed by to AlHokair under this agreement is (**Ann Harvey**).
- Franchise Agreement undated entered into by AlHokair and Monsoon Accessorize Limited, a company incorporated under the laws of the United Kingdom. The brand-names of the products distributed by AlHokair under this agreement are (**Monsoon**) and (**Accessorize**).
- Franchise Agreement dated 1 August 2001G entered into by AlHokair and Thyme Maternity International Inc., a company incorporated under the laws of the City of Montreal, Province of Quebec, Canada. The brand-name of the products distributed by AlHokair under this agreement is (**Thyme Maternity**).
- Franchise Agreement dated July 1999G entered into by AlHokair and La Senza International Inc, a company incorporated under the laws of under the laws of the City of Montreal, Province of Quebec, Canada. The brand-name of the products distributed by AlHokair under this agreement is (**La Senza Girl**).
- Franchise Agreement dated 20 October 1997G entered into by AlHokair and La Senza International Inc, a company incorporated under the laws of under the laws of the City of Montreal, Province of Quebec, Canada. The brand-name of the products distributed by AlHokair under this agreement is (**La Senza**).
- Franchise Agreement dated 1 July 2003G entered into by AlHokair and Miss Selfridge Retail Limited, a company incorporated under the laws of the United Kingdom. The brand-name of the products distributed by AlHokair under this agreement is (**Miss Selfridge**).
- Franchise Agreement dated 1 July 2003G entered into by AlHokair and Wallis Retail Limited, a company incorporated under the laws of the United Kingdom. The brand-name of the products distributed by AlHokair under this agreement is (**Wallis**).
- Franchise Agreement dated 25 July 2001G entered into by AlHokair and Stock J-Boutique Jennyfer, a company incorporated under the laws of France. The brand-name of the products distributed by AlHokair under this agreement is (**Jennyfer**).
- Franchise Agreement dated 1 December 2000G entered into by AlHokair and Blue and Green Holding B.V., a company incorporated under the laws of Netherlands. The brand-name of the products distributed by AlHokair under this agreement is (**Celio**).
- Franchise Agreement dated 5 October 2005G entered into by AlHokair and Grandvision International Supply, a company incorporated under the laws of France, Opticlibre, a company incorporated under the laws of France and Grandvision Optique International, a company incorporated under the laws of Belgium. The brand-name of the products distributed by AlHokair under this agreement is (**Solaris**).
- Franchise Agreement dated 3 June 2002G entered into by AlHokair and Grandvision International Supply and Grandvision Optique International, a company incorporated

LEGAL INFORMATION

under the laws of Belgium. The brand-name of the products distributed by AlHokair under this agreement is (**Grand Opitcal**).

- Franchise Agreement dated 31 November 2002G entered into by AlHokair and Foschini Stores, a company incorporated under the laws of South Africa. The brand-name of the products distributed by AlHokair under this agreement is (**Foschini**).
- Franchise Agreement dated 1 July 2001G entered into by AlHokair and Promotex International S.L, a company incorporated under the laws of Spain. The brand-name of the products distributed by AlHokair under this agreement is (**Kekos**).
- Franchise Agreement dated 14 May 2001G entered into by AlHokair and SA Camaieu International, a company incorporated under the laws of France. The brand-name of the products distributed by AlHokair under this agreement is (**Camaieu**).
- Franchise Agreement dated 15 April 2004G entered into by AlHokair and XMF, a company incorporated under the laws of France. The brand-name of the products distributed by AlHokair under this agreement is (**Xanaka**).
- Distribution Agreement dated 4 November 2004G entered into by AlHokair and Vad & Vid Shoes Sdn Bhd, a company incorporated under the laws of Malaysia. The brand-name of the products distributed by AlHokair under this agreement is (**Viss**).
- Franchise Agreement undated entered into by and AlHokair and Pilot Clothing Limited, a company incorporated under the laws of the United Kingdom. The brand-name of the products distributed by AlHokair under this agreement is (**Pilot**).
- Distribution Agreement dated 5 November 2004G entered into by AlHokair and Perfect Aim (s) Pte Ltd., a company incorporated under the laws of Singapore. The brand-name of the products distributed by AlHokair under this agreement is (**Charles & Keith**).
- A Sub-Developer Agreement dated March 15, 2005G entered into by AlHokair and Calm Seas Holdings Ltd., a company incorporated under the laws of the British Virgin Islands. The brand-name of the products distributed by AlHokair under this agreement is (**Sinma**).

15.2 Financing Agreements

AlHokair has obtained financing facilities as of 28 February 2006G from local and regional banks, as summarized below:

Exhibit 15-1: Facilities Granted to the Company

Name of Bank	Funded Facilities		Non-Funded Facilities			Total (SR '000)
	Overdraft (SR '000)	Long Term (SR '000)	Letter of Credit (SR '000)	Letter of Guarantee (SR '000)	Forward Exchange (SR '000)	
Riyad Bank	7,000.00		70,000.00	2,000.00	5,000.00	84,000.00
Samba Financial Group			190,000.00			190,000.00
Banque Saudi Fransi			25,000.00			25,000.00
National Commercial Bank			25,000.00	20,000.00		45,000.00
Saudi Hollandi Bank			36,306.05			36,306.05
Gulf International Bank		8,888.88				8,888.88
Total	7,000.00	8,888.88	346,306.05	22,000.00	5,000.00	382,194.93

15.3 Lease Agreements

AlHokair and its subsidiaries, as relevant, are parties to over 192 lease agreements. Most of these agreements are leases for retail stores throughout Saudi Arabia in various sized shopping complexes. They are for various terms, ranging from 1 to 10 years, with most of them being 1 year automatically renewable.

With respect to several land lease agreements, in which a lessor leases land to AlHokair for a long-term period, typically 20 years, AlHokair was granted the right to develop such land and construct a shopping mall thereon. Pursuant to these agreements, AlHokair is entitled to sub-lease all or part of the premises as necessary.

15.4 Insurance Policies

AlHokair has obtained the following insurance policies in connection with its operations:

Exhibit 15-2: Insurance policies granted to the Company					
	Policy No.	Name of Insurer	Policy Type	Interests Covered	Date of Expiry
1	385039	NCCI	Accidental Damage Insurance	All Assets of AlHokair Group	31.3.2007
2	385040	NCCI	Loss of Profits	Loss of Gross Profit, etc.	31.3.2007
3	385043	NCCI	Fidelity Guarantee	Infidelity of employees	31.3.2007
4	377874	NCCI	Motor Commercial Vehicles	Loss/Damage to Commercial Vehicles	31/12/2006
5	377859	NCCI	Private Cars	Loss or Damage to Private Cars	31/12/2006
6	55522	NCCI	Employee Medical Insurance	All employees of AlHokair	8/7/2007
7	395419	NCCI	Public and product liability	All premises and showrooms and cosmetics suited at various locations in Saudi Arabia	22/8/2007
8	395415	NCCI	Money Insurance	Loss of Money in vault and transit	22/8/2007
9	395418	NCCI	Marine Cargo Open Cover	Imports of readymade garments, shoes, cosmetics and accessories	22/8/2007

All subsidiaries of AlHokair are included as insured under the above-mentioned insurance policies.

15.5 Trademarks

Currently, AlHokair owns the following trademarks, which are registered with the Ministry of Commerce and Industry:

Exhibit 15-3: Trademarks

No.	Trademark	Date of Registration	Start of Protection	End of Protection
1	Shine	06/07/1425 H (22/08/2004)	01/02/1425 H (22/03/2004 G)	29/01/1435 H (03/12/2013 G)
2	Arabian Centers	06/07/1425 H (22/08/2004)	29/10/1424 H (23/12/2003 G)	28/10/1434H (04/09/2013 G)
3	Mujamma'a Al-Nakheel	12/05/1425 H (30/06/2004 G)	13/05/1424 H (13/07/2003 G)	12/05/1434 H (24/03/2013 G)
4	Sports	12/05/1425 H (30/06/2004 G)	13/05/1424 H (13/07/2003 G)	12/05/1434 H (24/03/2013 G)
5	Kurais Plaza	19/12/1424 H (10/02/2004 G)	12/02/1424 H (14/04/2003 G)	11/02/1434 H (25/12/2012 G)
6	Salam Plaza	19/12/1424 H (10/02/2004 G)	13/05/1424 H (13/07/2003 G)	12/05/1434 H (24/03/2013 G)
7	Mujamma'a Alkhaleej	19/12/1424 H (10/02/2004 G)	12/02/1424 H (14/04/2003 G)	11/02/1434 H (25/12/2012 G)
8	Khalas	06/01/1424 H (09/03/2003 G)	26/05/1423 H (06/08/2002 G)	25/05/1433 H (27/04/2012 G)
9	Mall of Arabia	22/08/1423 H (29/10/2002 G)	16/03/1423 H (29/05/2002 G)	15/03/1433 H (08/02/2012 G)
10	TORQ	08/11/1417 H (17/03/1997 G)	19/01/1417 H (06/06/1996 G)	18/01/1427 H (17/02/2006 G)
11	Out fit	15/03/1420 H (29/06/1999 G)	26/10/1418 H (24/02/1998 G)	25/10/1428 H (06/11/2007 G)
12	Mall of Arabia	17/04/1425 H (06/06/2004 G)	06/11/1424 H (30/12/2003 G)	27/02/1435 H (30/12/2013 G)

AlHokair has commenced the regulatory procedures at the Ministry of Commerce and Industry for transferring the trademarks mentioned in items 2, 3, 5, 6, 7, 9, 11 and 12 above to other companies owned by AlHokair family, as these trademarks are no longer relevant for its operations.

15.6 Investments

AlHokair holds the following investments:

➤ *Trade Center Company Limited*

AlHokair holds a 7.62% of the capital in Trade Center Company Limited ("TCCL"), a Saudi Arabian limited liability company registered under commercial registration number 1010151663 dated 19 Rajab 1419H. (8 November 1998G) which is the owner of the Kingdom Center, a premier mixed-use real estate development in Riyadh, Kingdom of Saudi Arabia. The share capital of TCCL is SAR 1,000,000,000 and the nominal value of Fawaz Abdulaziz AlHokair and Company equity interest therein is SAR 76,120,000.

➤ *Falcon Relative Value Fund Ltd Class FI USD*

AlHokair purchased 96,413.9 units in Falcon Relative Value Fund Ltd Class FI USD, a fund established in the Cayman Islands for a sum of USD 9,641,390. The value of the Company's

investment in GIB Fund was estimated at SR 37,000,000 as of 30 September 2005G. This investment was classified as available for sale securities in line with accounting standards issued by SOCPA. The Company has liquidated the Fund as on 1 September 2006 and is in the process of investing the proceeds in a sharia compliant investment.

➤ Investment properties

The Company owns investment property in Kingdom Towers valued at SR 28,000,000 as of 30 September 2005G. The Company rents its investment and receives income recorded under other income item.

15.7 Related Party Transactions

The Company has an arrangement with Haifa Aljazira Company Ltd., a limited liability company owned by FAS Saudi Holding Company (50%) and Fawaz Abdulaziz AlHokair and Company Holding Company (50%), for the construction of new stores and for routine maintenance. All services provided by Haifa Aljazira Company Ltd. to the Company are invoiced on an arm's length basis and are competitive with the prices for such services in the open market.

The Company also rents some outlets from Arabian Centres Company Ltd., a limited liability company owned by FAS Saudi Holding Company (35%), Fawaz Abdulaziz AlHokair and Company Holding Company (35%), Fawaz Abdulaziz AlHokair (10%), Dr. Abdul Majeed Abdulaziz AlHokair (10%) and Salman Abdulaziz AlHokair (10%) on an arm's length basis and at lease rates that are competitive with the market.

In addition to the above, the Company and Selling Shareholders:

- Confirm to comply with Article 69 and 70 of Companies Laws;
- Related Party Transactions contracts to be subject to Shareholders vote during the General Assembly Meeting; and
- Confirm not to compete with Fawaz Abdulaziz AlHokair and Company operations and the treatment of related party transactions based on a competitive basis.

15.8 Litigation

The Company currently appears as a defendant in a lawsuit filed by Al-Dhiban Trading and Contracting Co. against the Company before the Office for Settlement of Negotiable Instruments Disputes, the subject matter of which is a monetary claim for the recovery of a check of SR 10,000,000, drawer of which was Fawaz Abdulaziz AlHokair Co., received by Al-Dhiban in consideration for assigning the rights related to Nike brand to AlHokair, who issued its order to the bank to stop the payment based on a dispute relating to this agency. The Office for Settlement of Negotiable Instruments issued its decision number 1574/52 dated 15/10/1425 H. (28 November 2004) ordering the Company to pay the value of the check to Al-Dhiban Trading and Contracting Co. on the ground that it is a special court and does not have the jurisdiction to consider the underlying merits of the dispute.

Pursuant to the Procedures for Settlement of Negotiable Instruments Disputes issued under Ministerial Resolution number 857 dated 13/3/1403 H. (29 December 1982), the Company filed an appeal before the Minister of Commerce & Industry against the decision of the Office for Settlement of Negotiable Instruments Disputes. The said appeal was filed under number 402 dated 21/1/1426 H. (2 March 2005) and was referred to the legal committee at the

LEGAL INFORMATION

Ministry and is still pending a final decision. As a result of the appeal, the enforcement of the said decision has been postponed until the appeal has been decided upon.

Pursuant to the Procedures for Settlement of Negotiable Instruments Disputes which provide that upon the application of the relevant party and after submitting a certified banker's check or a bank guarantee, the Minister of Commerce & Industry or his delegate may stay the immediate enforcement of a resolution until the appeal or opposition submitted by such party is decided upon, as the case may be, the shareholders Fawaz Abdulaziz AlHokair, Salman Abdulaziz AlHokair and Dr. Abdul Majeed Abdulaziz AlHokair had submitted a certified banker's check for the sum of SR 10,000,000 from their own account for the purposes of the acceptance of the appeal in form. On the assumption that the decision of the Office for Settlement of Negotiable Instruments Disputes is upheld, the value of the decision will be settled out of the said banker's check without any monetary liability being incurred by the Company.

The Company has also filed a lawsuit before the Board of Grievances against Al-Dhiban Trading and Contracting Co. under number 884/1/Q for 1425 H. claiming recovery of the value of the said check. This lawsuit is still pending a judgment by the Board of Grievances.

16. Underwriting

16.1 Underwriters

SABB is the underwriter (the underwriter) of 12,000,000 shares representing the total share offering.

16.2 Summary of Underwriting Arrangement

16.2.1 Sale and Underwriting of the Offer Shares

Under the terms and subject to the conditions contained in the Underwriting Agreement between the Selling Shareholders, the Company and the Underwriter:

- a) The Selling Shareholders undertake to the Underwriter that on the Closing Date (as defined in the Underwriting Agreement) will sell all Offer Shares to purchasers procured by the Underwriter or to the Underwriter itself,
- b) The Underwriter undertakes to the Company and Selling Shareholders that it will on the Closing Date purchase the number of Offer Shares not subscribed for from the offered shares, if any.

16.2.2 Grounds for Termination

The Underwriter may terminate the Underwriting Agreement prior to the admission of the Shares to the Official List in the following specified circumstances:

- a) If, at or prior to 10:00 am on the Closing Date or such other time as the Underwriter may agree, there has occurred:
 - i. a suspension or material limitation in trading in securities generally on Tadawul;
 - ii. a moratorium on commercial banking activities in Riyadh declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the Kingdom;
 - iii. a change or development involving a prospective change in law, regulations or taxation adversely affecting the Company, the Shares, the transfer of Shares or the Offering;
 - iv. an outbreak or escalation of hostilities or a terrorist incident involving the Kingdom or the declaration by Saudi Arabia of a national emergency or war;
 - v. any material adverse change, disruption or other condition in the domestic money, debt, capital or any other financial markets in the Kingdom of Saudi Arabia including without limitation any material adverse change to the Tadawul All Share Index; or
 - vi. other calamity or crisis or any change in financial, political, monarchical or economic conditions or currency exchange rates or controls in the Kingdom.

that may, in the sole opinion of the Underwriter, prejudice or make it impractical or inadvisable to proceed with the Offering or delivery of the Offer Shares as

UNDERWRITING

contemplated by the Prospectus, the Underwriter may, in its absolute discretion, by notice to the Company terminate the Underwriting Agreement.

- b) If, at or prior to 10:00 am on the Closing Date or such other time as the Underwriter may agree, an internationally recognized rating agency has in respect of any sovereign securities relating to the Kingdom of Saudi Arabia issued any notice:
- i. downgrading such securities;
 - ii. indicating that it intends to downgrade, or is considering the possibility of downgrading, such securities; or
 - iii. indicating that it is reconsidering the rating of such securities without stating that this is with a view to upgrading them,

that, in any such case, in the opinion of the Underwriter makes the success of the Offering doubtful or which, in the opinion of the Underwriter, would make it impracticable or inadvisable to proceed with the Offering, then the Underwriter will consult with the Company and the Selling Shareholders to the extent practicable, but the Underwriter may, in its absolute discretion, by notice to the Company terminate the Underwriting Agreement.

16.2.3 Commission and Expenses

The Selling Shareholders will pay to the Underwriter an underwriting fee based on the total value of the Offering. Moreover, the Selling Shareholders will pay to the Underwriter fees, costs and expenses in connection with the Offering.

17. Subscription Terms and Conditions

All Subscribers must carefully read the Subscription Terms and Conditions prior to completing the Subscription Application Form, since the execution of the Subscription Application Form constitutes acceptance and agreement to the Subscription Terms and Conditions.

17.1 Subscription to Offer Shares

The Selling Shareholders are soliciting applications from Subscribers for acquiring the Offer Shares. A signed Subscription Application Form submitted to any of the Selling Agents represents a legally binding agreement between the Selling Shareholders and the Subscriber.

The Selling Shareholders own 100% of the issued share capital of the Company. Potential investors may obtain both the main and mini prospectuses in addition to the Subscription Application Form from the following banks:

 <p>The Saudi British bank Prince Abdulaziz bin Musaed bin Jlawy Street P.O. Box 9084, Riyadh 11413 Kingdom of Saudi Arabia Tel: +966 (1) 405 0677 Fax: +966 (1) 405 0660</p>	 <p>Samba Financial Group King Abdulaziz Road P.O. Box 833, Riyadh 11421 Kingdom of Saudi Arabia Tel: +966 (1) 477 4770 Fax: +966 (1) 479 9402</p>	 <p>Al Rajhi Banking & Investment Corporation Olaya Road P.O. Box 28, Riyadh 11411 Kingdom of Saudi Arabia Tel: +966 (1) 462 9922 Fax: +966 (1) 462 4311</p>
 <p>National Commercial Bank King Abdulaziz Road P.O. Box 3555, Jeddah 11481 Kingdom of Saudi Arabia Tel: +966 (2) 649 3333 Fax: +966 (2) 643 7426</p>	 <p>Arab National Bank King Faisal Street P.O. Box 9802, Riyadh 11423 Kingdom of Saudi Arabia Tel: +966 (1) 402 9000 Fax: +966 (1) 402 7747</p>	 <p>The Saudi Investment Bank Maathar Street P.O. Box 3533, Riyadh 11431 Kingdom of Saudi Arabia Tel: +966 (1) 478 6000 Fax: +966 (1) 477 6781</p>
 <p>Riyad Bank King Abdulaziz Road P.O. Box 22622, Riyadh 11614 Kingdom of Saudi Arabia Tel: +966 (1) 401 3030 Fax: +966 (1) 404 2618</p>	 <p>Banque Saudi Fransi Maathar Street P.O. Box 56006, Riyadh 11554 Kingdom of Saudi Arabia Tel: +966 (1) 404 2222 Fax: +966 (1) 404 2311</p>	 <p>Bank Al Bilad Salahuddin Road P.O. Box 140, Riyadh 11411 Kingdom of Saudi Arabia Tel: +966 (1) 479 8888 Fax: +966 (1) 479 8898</p>
 <p>Bank Al Jazira Khalid bin Alwalid Street P.O. Box 6277, Jeddah 21442 Kingdom of Saudi Arabia Tel: +966 (2) 651 8070 Fax: +966 (2) 653 2478</p>	 <p>Saudi Hollandi Bank Prince Abdulaziz bin Musaed bin Jlawy Street P.O. Box 1467, Riyadh 11431 Kingdom of Saudi Arabia Tel: +966 (1) 401 0288 Fax: +966 (1) 403 1104</p>	

Subscription Terms and Conditions

The Selling Agents will commence receiving Subscription Application Forms at their branches throughout Saudi Arabia from Saturday 15/9/1427H (corresponding to 7/10/2006G) up to and including Monday 24/9/1427H (corresponding to 16/10/2006G). Once the Subscription Application Form is signed and submitted, the Selling Agents will stamp it and provide the Subscriber a copy of the completed Subscription Application Form. In the event the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Selling Agents the Subscription Application Form will be considered void.

Each Subscriber is required to specify the number of Offer Shares applied for in the Subscription Application Form at the Offer Price of SAR 110 per Share. Subscriptions for less than 10 Offer Shares or fractional numbers will not be accepted. In addition, each Subscriber may not apply for more than 25,000 Offer Shares.

Each Subscriber is required to submit the Subscription Application Form during the Offering Period accompanied by the original and a copy of the national identification card, family identification card in addition to sufficient funds in an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR 110 per Share. In the event an application is made on behalf of a Subscriber (parents and children only), the name of the person signing on behalf of the Subscriber should be stated in the Subscription Application Form accompanied by the original and a copy of the power of attorney supporting such person's authority to act on the behalf of the Subscriber. The power of attorney must be issued before a Notary Public for those who are in Saudi Arabia and must be legalized through the Saudi Embassy or Consulate in the relevant country for those residing outside Saudi Arabia. The Selling Agents will verify all copies against the originals and will return the originals to the Subscriber.

One Subscription Application Form should be completed for each head of family applying for himself and members appearing on his family identification card if dependent Subscribers apply for the same number of Offer Shares as the prime Subscriber. In this case: (i) all Offer Shares allocated to the prime Subscriber and dependent Subscribers will be registered in the prime Subscriber's name; (ii) the prime Subscriber will receive any refund in respect of amounts not allocated and paid for by himself and dependent Subscribers, and (iii) the prime Subscriber will receive all dividends distributed in respect of the Offer Shares allocated to himself and dependent Subscribers (in the event the Shares are not sold or transferred). If a wife wishes to subscribe for the shares in her name/account, she must complete a separate Subscription Application Form as a prime subscriber. In such case, applications made by the husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Selling Agent.

Separate Subscription Application Forms must be used if: (i) the Shares that will be allocated are to be registered in a name other than the name of the prime Subscriber/head of family; or (ii) dependent Subscribers wish to apply for a different quantity of Offer Shares than the prime Subscriber. (iii) the wife if she wishes to subscribe in her name and to add allocated shares to her account, however, she must complete a separate Subscription Application Form as a prime subscriber. In such case, applications made by the husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Selling Agent.

Each Subscriber agrees to subscribe for and purchase the number of Offer Shares specified in the Subscription Application Form submitted by the Subscriber for an amount equal to the number of Shares applied for multiplied by the Offer Price of SAR 110 per Share. Each Subscriber shall have purchased the number of Offer Shares allotted to him upon: (a) delivery by the Subscriber of the Subscription Application Form to the Selling Agents; (b) payment in full by the Subscriber to the Selling Agents of the total value of Offer Shares subscribed for; and (c) delivery to the Subscriber by the Selling Agents the allotment letter specifying the number of Offer Shares allotted to him.

Subscription Terms and Conditions

The total value of the Offer Shares subscribed for must be paid in full to a branch of the Selling Agents by authorizing a debit of the Subscriber's account held with the Selling Agents where the Subscription Application Form is being submitted.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offering, the Company shall have the right to reject, in full or in part, such an application. The Subscriber shall accept any number of Shares allocated to him or her.

17.2 Allocation and Refunds

The Selling Agents shall open and operate escrow accounts named "AlHokair IPO". Each of the Selling Agents shall deposit all amounts received by the Subscribers into the escrow accounts mentioned above.

Each Subscriber is required to apply for a minimum of 10 Offer Shares and a maximum of 25,000 Offer Shares. If the Offering is oversubscribed investors will be allocated a minimum of 10 Offer Shares with the remaining Offer Shares being allocated on a pro-rata basis. The Company does not guarantee the minimum allocation of 10 Offer Shares in the event that the number of Subscribers exceeds 1,200,000. In that case, the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds the number of Offer Shares, the allocation will be determined at the discretion of the CMA.

The final number of Offer Shares allocated to each Subscriber, together with any refund due to the Subscriber, is expected to be announced no later than Saturday 28/9/1427H (corresponding to 21/10/2006G). AlHokair will make an announcement in the national newspapers in Saudi Arabia informing the Subscribers of the above and instructing the Selling Agents to begin the refund process.

The Selling Agents will send confirmation/notification letters, to their Subscribers informing them of the final number of Offer Shares allocated together with the amounts, if any, to be refunded. The Selling Agents will also refund to the Subscribers any monies in respect of which no Offer Shares have been allocated to the relevant Subscribers, as provided in the confirmation/notification letters. Refunds will be made in full without any charge or withholding by crediting Subscribers' accounts at the respective bank. Subscribers should communicate with the branch of the Selling Agents where they submitted their Subscription Application Form for any further information.

17.3 Acknowledgements

By completing and delivering the Subscription Application Form, the Subscriber:

- ▶ accepts subscribing for the Company's shares with the number of shares specified in the Subscription Application Form;
- ▶ warrants that he had read the Prospectus and understood all its contents;
- ▶ accepts the Bylaws of the Company and all subscription instructions and terms mentioned in the Prospectus;
- ▶ keeps his/her right to sue the Company for damages caused by incorrect or incomplete information contained in the Prospectus, or by ignoring major information that should have been part of the Prospectus and could effect the Subscriber's decision to purchase the Shares;
- ▶ declares that neither himself nor any of his family members included in the Subscription Application Form has previously subscribed to AlHokair' shares and the Company has the right to reject all applications;

Subscription Terms and Conditions

- ▶ accepts the number of shares allocated to him and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form; and
- ▶ warrants not to cancel or amend the Subscription Application Form after submitting it to the Selling Agents.

17.4 Miscellaneous

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

17.5 The Saudi Arabian Stock Exchange (Tadawul)

Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. In 1990G, full electronic trading in Saudi Arabia equities was introduced. The market capitalisation was SAR 1.749 trillion at the closing day of Monday 14 August 2006G. As of this date, 81 companies were listed and traded on Tadawul.

Trading on Tadawul occurs through a fully integrated trading system covering the entire process from trade order through settlement. Trading occurs each business day between 10:00 am to 12:00 pm and 4:30 pm to 6:30 pm. After close of exchange trading, orders can be entered, amended or deleted until 8:00 pm. The system is not available between 8:00 pm and 8:00 am. From 8:00 am new entries and inquiries can be made. For the opening phase (starting at 10:00 am), the system starts opening procedures, it establishes the opening prices and determines orders to be executed according to the matching rules.

Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit), provided that if several orders are generated at the same price, they are executed according to the time of entry.

Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website and Tadawul Information Link. The Tadawul Information Link supplies trading data in real time to information providers such as Reuters.

Exchange transactions are settled on a T+0 basis, meaning that ownership transfer takes place immediately after the trade is executed.

Issuers are required to report all material announcements via Tadawul for onward dissemination to the public.

Surveillance and monitoring is the responsibility of Tadawul as the operator of the market. The aim of supervision is to ensure fair-trading and an orderly market.

Subscription Terms and Conditions

17.6 Trading on Tadawul

It is expected that dealing in the Shares will commence on Tadawul upon finalization of the allocation process. Tadawul will announce the start date of trading once determined. Dates and times included in this Prospectus are indicative and may be changed or extended subject to the approval of the CMA.

Furthermore, Shares can only be traded after allocated Shares have been credited to Subscribers' accounts at Tadawul, the Company has been registered in the Official List and its Shares listed on the Saudi Stock Exchange. Pre-trading is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company shall have no legal responsibility in such an event.

18. Recent Development

During the preparation of this Prospectus and following the official submission for the Initial Public Offering of up to 12,000,000 ordinary shares representing 30% of the issued share capital of the Company to the Capital Market Authority in Saudi Arabia, the Company released its audited financial statements for the year ending 31 March 2006.

In line with the Capital Market Authority's request, this section will comprise the following:

19.1 Auditors' Report for the Year Ended 31 March 2006G

19.2 Management's Discussion and Analysis of Financial Condition and Results of Operations for the Year ended 31 March 2006G

18.1 Auditors' Report for the Year Ended 31 March 2006G

Auditors' Report

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

We have audited the accompanying consolidated balance sheet of Fawaz Abdulaziz Al Hokair & Co. (a Saudi limited liability company) (the Company) as of March 31, 2006 and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended, and notes 1 to 17 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 175 of the Regulation 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 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 basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2006, and the results of its consolidated operations and its cash flows for the year then ended in conformity with generally accepted accounting standards appropriate to the nature of the Company, comply with the relevant provisions of the Regulations for Companies and the articles of the Company as these relate to the preparation and presentation of these consolidated financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.

Bakr A. Abulkhair
License No. 101

Jumad Al Awal 5, 1427
June 1, 2006

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(LIMITED LIABILITY COMPANY)

CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2006

	Note	2006 SR	2005 SR
ASSETS			
Current assets			
Cash and bank balances		12,653,843	2,521,473
Trade receivables		-	4,228,992
Inventories	3	244,535,526	231,394,618
Other receivables and prepayments	4	69,798,280	72,389,362
Due from affiliates	5	76,677,126	-
Total current assets		403,664,775	310,534,445
Non-current assets			
Available for sale securities	6	37,000,000	37,500,000
Investments in companies' equity	6	76,000,000	76,000,000
Deferred charges	7	11,181,603	16,756,246
Investment properties	9	27,151,515	28,000,000
Property and equipment	8	204,001,801	133,977,923
Total non-current assets		355,334,919	292,234,169
TOTAL ASSETS		758,999,694	602,768,614
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank overdrafts	10	-	5,460,091
Current portion of long-term loans	10	6,666,667	13,333,333
Trade payables		128,231,635	90,678,967
Other payables and accruals	11	82,625,903	39,105,210
Total current liabilities		217,524,205	148,577,601
Non-current liabilities			
Long-term loans	10	-	6,666,667
End-of-service indemnities		14,660,538	11,107,128
Total non-current liabilities		14,660,538	17,773,795
Shareholders' equity			
Share capital	1	400,000,000	1,500,000
Proposed increase in share capital		-	237,500,000
Statutory reserves	12	24,635,196	-
Shareholders' current accounts		-	22,954,230
Retained earnings		102,179,755	174,462,988
Total shareholders' equity		526,814,951	436,417,218
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		758,999,694	602,768,614

Recent Development

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(LIMITED LIABILITY COMPANY)

CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED MARCH 31, 2006

	Note	2006 SR	2005 SR
Retail sales		1,293,672,316	999,277,410
Cost of sales		(684,990,808)	(524,579,519)
Gross profit		608,681,508	474,697,891
Selling and marketing expenses	14	(271,487,445)	(218,298,837)
General and administrative expenses	15	(32,136,754)	(31,540,563)
Depreciation and amortization		(61,209,367)	(49,100,623)
Operating income		243,847,942	175,757,868
Finance charges		(3,249,615)	(4,041,469)
Other income, net		12,419,101	6,876,589
Income before zakat		253,017,428	178,592,988
Zakat		(6,665,465)	(4,130,000)
NET INCOME		246,351,963	174,462,988

Recent Development

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(LIMITED LIABILITY COMPANY)

CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY
YEAR ENDED MARCH 31, 2006

	Share capital SR	Proposed increase in share capital SR	Statutory reserve SR	Shareholders' current accounts SR	Retained earnings SR	Total SR
April 1, 2004	1,500,000	-	27,687,000	1,184,419	365,767,480	396,138,899
Transfer to retained earnings	-	-	(27,687,000)	-	27,687,000	-
Transfer to advance against share capital	-	237,500,000	-	-	(237,500,000)	-
Dividends	-	-	-	155,954,480	(155,954,480)	-
Net income for the year	-	-	-	-	174,462,988	174,462,988
Net movement in shareholders' current accounts	-	-	-	(134,184,669)	-	(134,184,669)
March 31, 2005	1,500,000	237,500,000	-	22,954,230	174,462,988	436,417,218
Proposed increase in share capital	398,500,000	(237,500,000)	-	-	(161,000,000)	-
Dividends	-	-	-	133,000,000	(133,000,000)	-
Net income for the year	-	-	-	-	246,351,963	246,351,963
Transfer to statutory reserve	-	-	24,635,196	-	(24,635,196)	-
Net movement in shareholders' current accounts	-	-	-	(155,954,230)	-	(155,954,230)
March 31, 2006	400,000,000	-	24,635,196	-	102,179,755	526,814,951

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(LIMITED LIABILITY COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2006

	2006 SR	2005 SR
OPERATING ACTIVITIES		
Income before zakat	253,017,428	178,592,988
Adjustments for:		
Depreciation and amortization	61,209,367	49,100,623
Provision for end-of-service indemnities	4,117,055	2,321,332
Provision for investment	500,000	-
Changes in operating assets and liabilities:		
Trade receivables	4,228,992	3,357,519
Inventories	(13,140,908)	(66,049,629)
Other receivables and prepayments	2,591,082	(5,927,485)
Trade payables	37,552,668	32,299,290
Other payables and accruals	39,302,343	(1,952,509)
Cash from operations	389,378,027	191,742,129
Zakat paid	(2,447,115)	(2,760,830)
End-of-service indemnities paid	(563,645)	-
Net cash from operating activities	386,367,267	188,981,299
INVESTING ACTIVITIES		
Purchase of property and equipment, net	(122,381,281)	(38,229,176)
Deferred charges	(6,817,870)	1,208,045
Net cash used in investing activities	(129,199,151)	(37,021,131)
FINANCING ACTIVITIES		
Dividends paid	(133,000,000)	(155,954,480)
Bank overdraft	(5,460,091)	(14,691,425)
Long term loan	(13,333,333)	-
Due from affiliates	(72,288,092)	(2,227,375)
Changes in shareholders' current account	(22,954,230)	13,404,422
Net cash used in financing activities	(247,035,746)	(159,468,858)
Net change in cash and bank balances	10,132,370	(7,508,690)
Cash and bank balances, April 1	2,521,473	10,030,163
CASH AND BANK BALANCES, MARCH 31	12,653,843	2,521,473
Non cash transactions:		
Proposed/Increase in share capital	398,500,000	237,500,000
Net assets transferred (from) to Saudi FAS Holding Company	(4,389,034)	53,909,118
Investments transferred from shareholders	-	(18,750,000)
General reserve transferred to retained earnings	-	(27,687,000)
Net assets transferred from Al-Farida Co.	-	(53,367,613)
Al-Farida losses absorbed by the shareholders	-	9,843,106

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(LIMITED LIABILITY COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

1. ORGANIZATION AND ACTIVITIES

Fawaz Abdulaziz Al Hokair & Company (the Company) was originally a Saudi general partnership registered in the Kingdom of Saudi Arabia under commercial registration No. 1010076209 dated 20/8/1410H corresponding to March 17, 1990).

During 2005, the shareholders resolved to increase the share capital of the Company from SR 1.5 million to SR 400 million by transferring SR 398.5 million from retained earnings. On September 15, 2005, the shareholders further resolved to transfer part of their ownership in the Company to Saudi FAS Holding Company and Fawaz Abdulaziz Al Hokair & Co. Holding Company and change the Company's legal form from a general partnership to a limited liability company. The legal formalities regarding these changes have been completed. The shareholders and their respective shareholdings after transfer are as follows:

Name	2006		2005	
	%	Amount SR	%	Amount SR
Saudi FAS Holding Company	35	140,000,000	-	-
Fawaz Abdulaziz Al Hokair & Co.Holding Company	35	140,000,000	-	-
Mr. Fawaz Abdulaziz Al Hokair	10	40,000,000	34	500,000
Mr. Salman Abdulaziz Al Hokair	10	40,000,000	33	500,000
Mr. Abdul Majeed Abdulaziz Al Hokair	10	40,000,000	33	500,000
	<u>100</u>	<u>400,000,000</u>	<u>100</u>	<u>1,500,000</u>

During the year, the shareholders resolved to change the Company's legal form from a limited liability company to a Saudi Joint Stock company. The legal formalities regarding these changes were in process as of the balance sheet date.

The Company and its subsidiaries are engaged in the retail and wholesale trading of ready made clothes, furniture and fixtures, electric equipment, tents, bags, shoes, perfumes, cosmetics, textiles, food and entertaining machineries, the supply of military clothes through government contract sales, the construction and maintenance of buildings and roads and catering services of cooked and non-cooked items.

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(LIMITED LIABILITY COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED MARCH 31, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with the Standard of General Presentation and Disclosure issued by the Ministry of Commerce and in compliance 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:

Basis of presentation

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

	Direct & Indirect Ownership percent	
	2006	2005
Al Waheedah Equipment Company Limited	100%	100%
Haifa B. Al Kalam & Partners International Company for Trading	100%	100%

All significant intercompany balances and transactions have been eliminated.

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 products. 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.

Recent Development

Investment in companies' equity

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.

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(LIMITED LIABILITY COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED MARCH 31, 2006

Investment properties

Investment properties are reflected at cost and reviewed for any decline in the value of the investment. Gains from these investments are reported upon the sale of investment.

Investments in financial instruments

Investments in financial instruments are classified according to the Company's intent with respect to those instruments. Financial instruments held for trading are stated at fair value, and unrealized gains and losses thereon are included in the statement of income. Financial instruments which are considered as available for sale are stated at fair value, and unrealized gains and losses thereon are included in shareholders' equity until such investments are sold. Where the fair value is not readily determinable, such financial instruments are stated at cost.

Deferred charges

Deferred charges represent key money, and other deferred charges, and are amortized using the straight-line method over a period of three to ten years.

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:

Buildings	3%
Leasehold improvements	25%
Furniture and office equipment	10% - 25%
Motor vehicles	25%

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 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 statement of income.

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian Labor Law, are provided in the financial statements based on the employees' length of service.

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(LIMITED LIABILITY COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED MARCH 31, 2006

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 on individual basis. 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.

3. INVENTORIES

	2006	2005
	SR	SR
Goods available for sale	232,482,819	225,175,495
Goods in transit	16,398,309	6,192,179
Provision for inventory shortages	(8,118,703)	(4,871,886)
	240,762,425	226,495,788
Supplies	6,001,948	7,548,130
Provision for slow-moving supplies	(2,228,847)	(2,649,300)
	244,535,526	231,394,618

4. OTHER RECEIVABLES AND PREPAYMENTS

	2006	2005
	SR	SR
Prepayments	26,092,161	31,455,840
Advances to suppliers and subcontractors	16,987,015	21,182,383
Employee receivables	5,309,141	419,380
Margin on letters of credit and guarantees	6,039,802	3,123,886
Other	15,370,161	16,207,873
	69,798,280	72,389,362

5. DUE FROM AFFILIATES

During the year, the Company transacted with Saudi FAS Holding and its subsidiaries. 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:

	2006	2005
	SR	SR
Sales	19,005,164	-
Rental expense	53,947,733	65,872,065
Construction works	64,750,290	80,359,196
Transfer of property and equipment	(4,389,034)	53,909,118

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(LIMITED LIABILITY COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED MARCH 31, 2006

The balances due from affiliates at March 31 consist of the following:

	2006 SR	2005 SR
Haifa Al Jazira Co. Ltd.	28,395,980	-
Arabian Centers Ltd.	48,281,146	-
	<u>76,677,126</u>	<u>-</u>

6. INVESTMENTS

Available for sale securities:

These investments are in the name of one of the shareholders who has assigned these investments in favour of Fawaz Abdulaziz Al Hokair & Co.

Investments in companies' equity:

This represents investment in Trade Center Company Ltd., which is 7.6% owned.

7. DEFERRED CHARGES

	2006 SR	2005 SR
Cost		
Balance, beginning of year	35,918,477	54,284,956
Additions	6,817,870	15,898,274
Disposals/transfers	(12,819,592)	(34,264,753)
Balance, end of year	<u>29,916,755</u>	<u>35,918,477</u>
Accumulated amortization		
Balance, beginning of year	19,162,231	30,180,998
Charge for the year	1,620,885	4,872,126
Disposals/transfers	(2,047,964)	(15,890,893)
Balance, end of year	<u>18,735,152</u>	<u>19,162,231</u>
Net book value	<u>11,181,603</u>	<u>16,756,246</u>

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(LIMITED LIABILITY COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED MARCH 31, 2006

8. PROPERTY AND EQUIPMENT, NET

	Buildings & leasehold improvements SR	Furniture and office equipment SR	Motor vehicles SR	Total SR
Cost				
April 1, 2005	209,265,160	36,934,855	14,845,401	261,045,416
Additions	90,613,279	22,688,530	9,079,472	122,381,281
Disposals/transfers	(5,986,137)	18,100,958	(4,866,805)	7,248,016
March 31, 2006	293,892,302	77,724,343	19,058,068	390,674,713
Accumulated depreciation				
April 1, 2005	106,014,396	9,493,167	11,559,930	127,067,493
Charge for the year	39,617,937	14,209,796	4,912,264	58,739,997
Disposals/transfers	776,682	3,740,267	(3,651,527)	865,422
March 31, 2006	146,409,015	27,443,230	12,820,667	186,672,912
Net book value				
March 31, 2006	147,483,287	50,281,113	6,237,401	204,001,801
March 31, 2005	103,250,764	27,441,688	3,285,471	133,977,923

9. INVESTMENT PROPERTY

	2006 SR	2005 SR
Cost	28,000,000	28,000,000
Less: Accumulated depreciation	(848,485)	-
Net book value	27,151,515	28,000,000

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(LIMITED LIABILITY COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED MARCH 31, 2006

10. DUE TO BANKS

Due to banks comprised the following overdrafts and loans at March 31:

	2006	
	Long-term loan SR	Overdraft SR
Gulf International Bank	6,666,667	-
Current portion of long term loan	(6,666,667)	-
	-	-
	2005	
	Long-term loan SR	Overdraft SR
Arab National Bank	-	2,736
Riyad Bank	-	5,457,355
Gulf International Bank	20,000,000	-
	20,000,000	5,460,091
Current portion of long term loan	(13,333,333)	-
	6,666,667	-

Bank loan is granted by a commercial bank. Bank loan agreement requires that the Company should not liquidate the investment in GIB Falcon Fund of SR 37.5 million until the credit facility is fully paid.

The annual commission rate charged is SIBOR + 1.5%.

11. OTHER PAYABLES AND ACCRUALS

Accrued expenses and other liabilities are comprised of the following as of March 31:

	2006 SR	2005 SR
Payable to contractors and others	5,917,710	3,029,376
Provision for zakat (Note 13)	13,718,471	9,500,121
Employee benefits	18,216,013	7,227,355
Rent	18,484,307	7,229,285
Customs and shipping	9,602,828	309,721
Accrued expenses	10,132,901	3,528,734
Other	6,553,673	8,280,618
	82,625,903	39,105,210

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(LIMITED LIABILITY COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED MARCH 31, 2006

12. 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.

13. ZAKAT

The Company and its subsidiaries presents their zakat returns to the Department of Zakat and Income tax on an individual Company basis.

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

	2006	2005
	SR	SR
Non current assets	379,371,174	307,375,807
Non current liabilities	19,035,098	29,352,978
Opening shareholders equity after dividends	282,109,166	240,646,178
Net income before zakat	249,997,428	177,562,988

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

The Company has finalized its assessments up to year 2001 and obtained the final zakat certificate. Zakat returns for years ended March 31, 2002 to 2005 are under review by the Zakat Department.

The movement in provision for zakat for Fawaz Abdulaziz Al Hokair & Co. is as follows:

	2006	2005
	SR	SR
Balance, April 1	7,893,129	7,352,854
Provision for the year	3,645,465	3,100,000
Payments during the year	(1,201,390)	(2,559,725)
Zakat provision for Fawaz Abdulaziz Al Hokair & Co.	10,337,204	7,893,129
Zakat provision for subsidiaries	3,381,267	1,606,992
Balance, March 31	13,718,471	9,500,121

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(LIMITED LIABILITY COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED MARCH 31, 2006

14. SELLING AND MARKETING EXPENSES

	2006 SR	2005 SR
Rent	128,963,256	111,288,234
Employees' salaries and related expenses	91,271,599	66,145,036
Advertising and publishing	11,799,911	19,011,320
Travel	4,964,561	3,852,244
Utilities	11,968,765	4,412,543
Insurance	3,227,640	-
Packing materials	6,045,927	2,123,473
Others	13,245,786	11,465,987
	271,487,445	218,298,837

15. GENERAL AND ADMINISTRATIVE EXPENSES

	2006 SR	2005 SR
Employees' salaries and related expenses	23,870,532	17,869,864
Travel	2,466,432	1,336,358
Donations	976,453	3,325,272
Rent	600,000	2,417,966
Insurance	215,445	318,674
Others	4,007,892	6,272,429
	32,136,754	31,540,563

16. CONTINGENT LIABILITIES

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

	2006 SR	2005 SR
Letters of credit	61,618,253	89,158,204
Letters of guarantee	125,251,394	33,858,105

FAWAZ ABDULAZIZ AL HOKAIR & CO.
(LIMITED LIABILITY COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
YEAR ENDED MARCH 31, 2006

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the balance sheet principally include cash and cash equivalents, accounts receivable, accounts payable and accrued expenses.

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 accounts receivable are carried net of provision for doubtful debts.

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 and U.S. dollars. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not material.

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.

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.

Recent Development

18.2 Management's Discussion and Analysis for Financial Statements of the Year ended 31 March 2006G

The following discussion and analysis of AlHokair financial condition and results of operation is based upon and should be read in conjunction with the audited financial statements as at and for the year ended 31 March 2006G and the notes thereto, which have been audited by Deloitte & Touche Baker Abulhair & Co.

The Management's Discussion and Analysis of Financial Condition and Results of Operations section contains forward-looking statements that involve risks and uncertainties. Actual results for the Company could differ materially from those contemplated by these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly in the "Risk Factors" section.

18.3 Current Directors' Declaration for Financial Information

The Current Directors declare that the financial information presented in the Prospectus is extracted without material change from the Audited Financial Statements and that the Audited Financial Statements have been prepared in accordance with SOCPA Accounting Standards.

The Directors further declare that there has been no material adverse change in the financial or trading position of the Company during the last two years ending 31 March 2005G and 2006G, up to the date of this Prospectus.

18.3.1 Results of Operations

The following tables summarize the audited income statements for the fiscal year ending 31 March 2006G.

Exhibit 18-1: Summary Income Statement (SAR '000)

	Year Ended 31 March	
	2006	2005
Retail sales	1,293,672	999,277
Cost of sales	(684,991)	(524,579)
Gross profit	608,681	474,698
Selling & marketing expenses	(271,487)	(218,299)
General & administrative expenses	(32,137)	(31,540)
Depreciation & amortization	(61,209)	(49,101)
Net Operating income	243,848	175,758
Finance charges	(3,250)	(4,041)
Other income, net	12,419	6,876
Net Income before Zakat	253,017	178,593
Zakat	(6,665)	(4,130)
Net income	246,352	174,463

Source: Audited Financial Statements

Recent Development

Exhibit 18-2: Income Statement as a Percentage of Retail Sales

	Year Ended 31 March	
	2006	2005
Retail sales	100.00%	100.00%
Cost of sales	52.95%	52.50%
Gross profit	47.05%	47.50%
Selling & marketing expenses	20.99%	21.85%
General & administrative expenses	2.48%	3.16%
Depreciation & amortization	4.73%	4.91%
Net Operating income	18.85%	17.58%
Finance charges	0.25%	0.40%
Other income, net	0.96%	0.69%
Net Income before Zakat	19.56%	17.87%
Zakat	0.52%	0.41%
Net income	19.04%	17.46%

Source: Audited Financial Statements

Sales in 2006G were SAR 1293.7 million compared to SAR 999.2 in 2005G. A growth of 29.5% in total sales attributable to the increase in number of stores from 451 in 2005G to 617 by 2006G and the number of brands in the Company from 35 to 42.

Exhibit 18-3: Number of Brands and Stores of AlHokair

	Year Ended 31 March	
	2006	2005
Number of brands	42	35
Number of stores	617	451

Source: AlHokair

Exhibit 18-4: Distribution of Stores and Sales by Region

	Year Ended 31 March 2006			
	Central	West	East	Total
Number of stores	246	218	153	617
Total sales (SAR)	537,909	439,654	316,109	1,293,672
Contribution of region to total sales (%)	42%	34%	24%	100%

Source: AlHokair

The Central region which encompasses the capital city of Riyadh had the highest contribution percentage to total sales in 2006G recording 42% as a result of the steady growth in population in that region, in addition to growing consumer awareness and the ability to spend. This growth is also reflected in the number of stores. The Western region of the Kingdom with 34% of total sales in 2006G, came a close second due to the significant role that Jeddah and Makkah play in trade activities in Saudi Arabia.

Recent Development

18.3.2 Sales Volumes and Prices

	Year Ended 31 March	
	2006	2005
Central Region		
ZARA	107,294	76,950
Promod	51,038	40,695
Monsoon/Accessorize	34,542	25,947
Lasenza	29,759	23,331
Camaieu	28,507	13,828
Others	286,769	252,410
Sub-total	537,909	433,161
Western Region		
ZARA	85,554	74,607
Promod	60,331	45,649
Lasenza	33,089	29,073
Adams	27,292	25,628
Marks & Spencer	26,807	25,830
Others	206,581	156,578
Sub-total	439,654	357,365
Eastern Region		
ZARA	69,449	54,178
Promod	27,575	24,158
Monsoon/Accessorize	20,127	12,525
Lasenza	18,705	15,699
Marks & Spencer	15,502	10,865
Others	164,751	91,326
Sub-total	316,109	208,751
Total	1,293,672	999,277

Source: AlHokair

As shown in Exhibit 18-5 above, ZARA and Promod represent the highest income generating brands in the three main geographical areas in the Kingdom in 2006G. ZARA contributed about 20%, 19% and 22% to the Central, Western and Eastern regions respectively, whereas Promod contributed 9%, 14% and 18% in the three regions respectively.

Sales prices of the Company are mainly determined by brands partners and are generally set in line with sales prices world wide especially Europe, the home land of most of the brands. However, the Company sets and follows certain markdown and discount policies to help achieving its sales objectives and in accordance with management's strategic plans.

Recent Development

18.3.3 Operating Income

	Year Ended 31 March	
	2006	2005
Retail sales	1,293,67	999,27
Cost of sales	(684,991)	(524,579)
Gross profit	608,68	474,69
Selling & marketing expenses	(271,487)	(218,299)
General & administrative expenses	(32,137)	(31,540)
Depreciation & amortization	(61,209)	(49,101)
Net Operating income	243,84	175,75
% of Sales	18.85 %	17.58%

Source: Audited Financial Statements

Operating income increased by 38% in 2006G over 2005G to SAR 243.8 million

18.3.4 Cost of Sales

	Year Ended 31 March	
	2006	2005
Purchases	616,491	472,121
Freight in, custom duty and others	68,499	52,458
Total Cost of Sales	684,990	524,579

Source: AlHokair

Cost of sales increased to SAR 684.9 million in 2006G as a result of the growth in sales. However, the slight drop in gross profit margin from 47.5% in 2005G to 47.0% in 2006G is attributable to introducing new brands by AlHokair during that period which generate lesser gross profit margin. Purchases estimated at an average of 90% represents the major element of cost of sales.

18.3.5 Selling and Marketing Expenses

	Year Ended 31 March	
	2006	2005
Rent	128,963	111,288
Employees' salaries and related expenses	91,272	66,145
Others	51,252	40,866
Selling and marketing expenses	271,487	218,299

Source: Audited Financial Statements

Selling and marketing expenses include costs incurred by the Company in relation to selling and marketing activities, whether directly in marketing the Company's brands or indirectly through staff expenses of employees working within respective departments.

Rent expense represents the major element of selling and marketing expenses constituting 47.5% of the total selling and marketing expenses during 2006G. The second major element of selling and marketing expenses is employees' salaries and benefits, which represented about 34% of the total Selling and Marketing expenses in 2006G.

Recent Development

18.3.6 General and Administrative Expenses

	Year Ended 31 March	
	2006	2005
Exhibit 18-9: General and Administrative Expenses (SAR '000)		
Employees' Salaries and related expenses	23,871	17,870
Travel expenses	2,466	1,336
Others	5,799	12,334
General and admin. expenses	32,136	31,540
% of Total		
Employees' Salaries and related expenses	74.28%	56.65%
Travel expenses	7.67%	4.24%
Others	18.05%	39.11%
Total	100.00%	100.00%

Source: Audited Financial Statements

Employees' salaries and other benefits of general and administrative expenses increased by 33% in line with the business growth.

18.3.7 Net Income

	Year Ended 31 March	
	2006	2005
Exhibit 18-10: Net Income (SAR '000)		
Retail sales	1,293,672	999,277
Cost of sales	(684,991)	(524,579)
Gross profit	608,681	474,698
Operating income	243,848	175,758
Finance charges	(3,250)	(4,041)
Net Income before Zakat	253,017	178,593
Net income	246,352	174,463
% of Sales		
Retail sales	100.00%	100.00%
Cost of sales	52.95%	52.50%
Gross profit	47.05%	47.50%
Operating income	18.85%	17.59%
Finance charges	0.25%	0.40%
Net Income before Zakat	19.56%	17.87%
Net income	19.04%	17.46%

Source: Audited Financial Statements

Net income grew to SAR 246.4 million in 2006G, representing 41% growth from the previous year. The growth in net income is mainly attributable to the growth in sales by 29% in 2006G.

18.3.8 Financial Condition, Liquidity and Other Items

The major source of Company's liquidity is its operations, a source of funds that supports the Company's growth, dividend payments and capital expenditures.

In 2006G, cash balance was SAR 12.6 million, an increase of SAR 10.1 million from 2005G. This insignificant increase in cash balance is attributable to the increase in cash used in investing activities during 2006G.

Recent Development

Exhibit 18-11: Summary of Cash Flow Statement (SAR '000)

	Year Ended 31 March	
	2006	2005
Provided by operating activities	386,367	188,981
(Used in) investing activities	(129,199)	(37,021)
(Used in) provided by financing activities	(247,036)	(159,469)
(Decrease) increase in cash	10,132	(7,509)
Cash at beginning of period	2,521	10,030
Cash at end of period	12,653	2,521

Source: Audited Financial Statements

18.3.9 Cash Flows from Operating Activities

Net cash flows provided by operating activities was SR 386.4 million as a result of the increase in net income for the year and improved working capital in 2006G.

Exhibit 18-12: Summary of Operating Cash Flows (SAR '000)

	Year Ended 31 March	
	2006	2005
Net Income before Zakat	253,017	178,593
Depreciation and amortization	61,209	49,100
End of service indemnities	4,117	2,321
Diminution in value of investment	500	-
Net change in working capital	67,524	(41,033)
Operating activities cash flows	386,367	188,981

Source: Audited Financial Statements

18.3.10 Cash Flows from Investing Activities

Net cash flows used in investing activities amounted to SAR 129.2 million in 2006G due to additions of fixed assets, comprising mainly of store fit-outs.

Exhibit 18-13: Summary of Investing Cash Flows (SAR '000)

	Year Ended 31 March	
	2006	2005
Capital expenditures	(122,381)	(38,229)
Deferred charges	(6,818)	1,208
Cash flows used in investing activities	(129,199)	(37,021)

Source: Audited Financial Statements

Capital expenditures amounted to SAR 122.4 million in 2006G reflecting the cycles of brand acquisition and growth, coupled with consolidation.

Recent Development

Fixed Assets

Exhibit 18-14: Breakdown of Fixed Assets (SAR '000)				
	Buildings & Leasehold improvement	Furniture & Equipment	Motor Vehicles	Total
31 March 2006				
Cost	293,892	77,724	19,058	390,674
Accumulated depreciation	146,409	27,443	12,821	186,673
Net book value	147,483	50,281	6,237	204,001

Source: Audited Financial Statements

Net book value of fixed assets was higher at SAR 204 million in 2006G mainly as a result of fixed assets additions. Major additions to fixed assets included leasehold improvements.

18.3.11 Cash Flows from Financing Activities

Net cash flows used in financing activities was SAR 247.0 million in 2006G.

Exhibit 18-15: Summary of Financing Cash Flows (SAR '000)		
	Year Ended 31 March	
	2006	2005
Changes in shareholders' current account	(22,954)	13,404
Due from Affiliates	(72,288)	(2,227)
Bank loans and overdrafts	(18,793)	(14,691)
Dividends paid	(133,000)	(155,954)
Cash flows (used in) provided by financing activities	(247,035)	(159,468)

Source: Audited Financial Statements

Due from affiliates increased from SAR 2 million in 2005G to SAR 72 million in 2006G due to the advance payments made by the Company to two of its affiliates, namely Arabian Centres Limited and Haifa Al Jazira Company Limited. These payments were made against set up, decorations and fittings of new shops in favour of AlHokair as well as rent advance for shops in Arabian Centres owned malls.

Dividends

The Company paid dividends amounting to SAR 133.0 million during 2006G.

18.3.12 Working Capital

Exhibit 18-16: Summary of Working Capital (SAR '000)		
	Year Ended 31 March	
	2006	2005
Current assets	403,665	310,534
Current liabilities	(217,524)	(148,578)
Working Capital	186,141	161,956

Source: Audited Financial Statements

Working capital increased to SAR 186.1 million in 2006G. It represented 46% of total current assets in 2006G.

The Board of Directors and the Company's management confirm that the Company has working capital sufficient for a period of 12 months following the date of this Prospectus.

Recent Development

18.3.13 Commitments and Contingencies

Exhibit 18-17: Commitments and Contingencies (SAR '000)

	Year Ended 31 March	
	2006	2005
Commitments – Lease Contracts	183,151	74,330
Commitments – Letters of credit	61,618	89,158
Contingencies – letters of guarantees	125,251	33,858

Source: *AlHokair*

Lease commitments increased due to renewal of leases during 2006G for lease periods in excess of 2 years and new long term leases for malls which opened during 2006G. Letters of credit and Letters of guarantee increased due to additional brands.

19. Documents Available for Inspection

The following documents will be available for inspection at AlHokair head office located at Al-Shumaisi Street, between the hours of 9:00 a.m. to 5:00 p.m., two weeks prior to and during the Offering Period:

- ▶ Company's Bylaws
- ▶ Partners Resolution concerning the Conversion of AlHokair Company Limited into a joint stock company
- ▶ Resolution of the Acting Minister of Commerce and Industry's No. 2237 dated 16/8/1427H (corresponding to 9/9/2006G) authorizing the Conversion of Fawaz Abdulaziz AlHokair Company Limited into a joint stock company
- ▶ CMA approval to the Offering
- ▶ Audited Financial Statements for the years ended 31 March 2003G, 2004G, 2005G and 2006G
- ▶ Reporting Accountant's written consent to the publication in the Prospectus of their Accountant's Report
- ▶ Written consent from the Law Office of Mohammed Al Sheikh to the reference as legal advisers to the IPO in the Prospectus
- ▶ Written consent from Euromonitor to the reference of their study in the Prospectus
- ▶ Valuation Report prepared by the Financial Adviser
- ▶ Consent letters from Saudi Hollandi Bank, Samba Financial Group, Riyadh Bank, and Banque Saudi Fransi to transfer the operations, loans and financial commitments.

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