

AL-AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND
AUDITORS' REPORT (LIMITED REVIEW)
FOR THE THREE MONTHS AND NINE MONTHS ENDED
SEPTEMBER 30, 2014**

AL-AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND AUDITORS' REPORT
(LIMITED REVIEW)
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2014**

INDEX	PAGE
Auditors' report (limited review)	1
Consolidated interim balance sheet	2
Consolidated interim statement of income	3
Consolidated interim statement of stockholders' equity	4
Consolidated interim statement of cash flows	5 - 6
Notes to the consolidated interim financial statements	7 - 15



Two handwritten signatures in blue ink are located below the stamp.

AUDITORS' REPORT (LIMITED REVIEW) ON CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the stockholders
Al-Ahsa Development Company
Al-Ahsa, Kingdom of Saudi Arabia

Scope of Review

We have reviewed the consolidated interim balance sheet of Al-Ahsa Development Company ("the Company"), a Saudi Joint Stock Company, and its subsidiaries (note 1) ("the Group") as of September 30, 2014 and the related consolidated interim statement of income for the three months and nine months period then ended, consolidated interim statements of stockholders' equity and cash flows for the nine months then ended, and notes 1 to 8 which form an integral part of these consolidated interim financial statements as prepared by the Company and presented to us with all the necessary information and explanations. These consolidated interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standard of auditing applicable to interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.


Conclusion

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

Other Matters

We refer to note 5 to the consolidated interim financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.

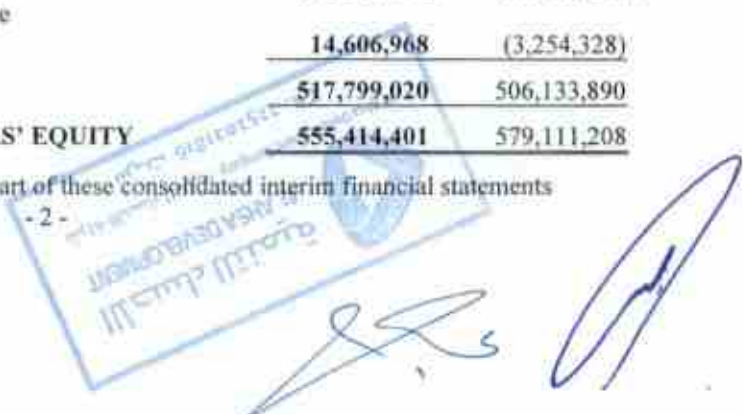

Nasser M. Al-Sagga
License No. 322
26 Dhu Al-Hijjah, 1435
October 20, 2014



AL-AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED INTERIM BALANCE SHEET
AS OF SEPTEMBER 30, 2014

	Note	2014 SR (Un-audited)	2013 SR (Restated Note 7) (Un-audited)
ASSETS			
Current assets			
Cash and cash equivalents		141,273,140	10,202,729
Investments in trading securities		-	27,261,370
Accounts receivable, net		11,355,662	7,872,523
Inventories, net	5	2,900,131	13,567,947
Prepayments and other debit balances		9,646,996	4,371,704
Assets held for sale	5	31,500,000	-
Total current assets		196,675,929	63,276,273
Non-current assets			
Investments in available for sale securities		32,666,648	125,496,440
Investment in associate		65,227,868	54,908,283
Investments in companies' at cost		84,073,089	81,402,099
Investments in lands and real estate fund		167,130,000	177,230,000
Property, plant and equipment, net	5	3,630,280	62,888,169
Goodwill		6,010,587	6,010,587
Projects under study		-	7,899,357
Total non-current assets		358,738,472	515,834,935
TOTAL ASSETS		555,414,401	579,111,208
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable		2,679,170	3,278,016
Payments received in advance	5	28,000,000	-
Long term loan - current portion	5	-	3,500,000
Accruals and other credit balances		2,387,027	2,373,027
Provision for zakat		3,521,320	1,505,114
Total current liabilities		36,587,517	10,656,157
Non-current liabilities			
Long term loan	5	-	61,470,000
End-of-service indemnities		1,027,864	851,161
Total non-current liabilities		1,027,864	62,321,161
Stockholders' equity			
Share capital		490,000,000	490,000,000
Statutory reserve		31,236,883	31,236,883
Accumulated losses		(18,044,831)	(11,848,665)
Unrealized gain (loss) from investments in available for sale securities		14,606,968	(3,254,328)
Total stockholders' equity		517,799,020	506,133,890
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		555,414,401	579,111,208

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



AL-AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM STATEMENT OF INCOME
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2014

	Note	From July 1 to September 30		From January 1 to September 30	
		2014 SR	2013 SR	2014 SR	2013 SR
		(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Gain from investments, net		22,371,529	3,615,742	33,864,841	12,284,223
Sales		1,016,849	1,131,052	4,221,076	4,827,774
Total revenue	3	23,388,378	4,746,794	38,085,917	17,111,997
Cost of sales		(1,099,816)	(1,191,956)	(3,729,204)	(3,898,262)
Gross profit		22,288,562	3,554,838	34,356,713	13,213,735
General and administration expenses		(1,127,172)	(2,339,295)	(6,191,640)	(6,913,072)
Operating income	3	21,161,390	1,215,543	28,165,073	6,300,663
Loss from impairment of investment in companies' at cost		(322,773)	-	(3,960,544)	-
Provision for projects under study		-	-	(5,076,846)	-
Loss from assets held for sale		(33,586,143)	-	(33,586,143)	-
Other income		221,892	206,464	946,929	582,964
Finance charges		-	(253,000)	(489,500)	(679,900)
Net (loss) income before zakat		(12,525,634)	1,169,007	(14,001,031)	6,203,727
Zakat		(300,000)	-	(2,910,000)	(900,000)
NET (LOSS) INCOME		(12,825,634)	1,169,007	(16,911,031)	5,303,727
(Loss) earnings per share	4				
Earnings per share from operating income		0.43	0.02	0.51	0.10
(Loss) earnings from other operations		(0.69)	0.004	(0.85)	0.01
(Loss) earnings per share from net (loss) income		(0.26)	0.02	(0.35)	0.11
Weighted average number of shares	1	49,000,000	49,000,000	49,000,000	49,000,000

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



Handwritten signatures in blue ink, including a large signature and a circular stamp-like mark.

AL-AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

	Share capital SR	Statutory reserve SR	Accumulated losses SR	Unrealized (losses) gain from investments in available-for-sale securities SR	Total SR
January 1, 2013 (Audited) (restated note 7)	490,000,000	31,236,883	(17,152,392)	(20,422,883)	483,661,608
Net income for the period	-	-	5,303,727	-	5,303,727
Change in fair value	-	-	-	17,168,555	17,168,555
September 30, 2013 (Un-audited)	490,000,000	31,236,883	(11,848,665)	(3,254,328)	506,133,890
January 1, 2014 (Audited)	490,000,000	31,236,883	(1,133,800)	4,515,307	524,618,390
Net loss for the period	-	-	(16,911,031)	-	(16,911,031)
Change in fair value	-	-	-	10,091,661	10,091,661
September 30, 2014 (Un-audited)	490,000,000	31,236,883	(18,044,831)	14,606,968	517,799,020

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



AL-AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

	2014 SR	2013 SR
	(Un-audited)	(Un-audited)
OPERATING ACTIVITIES		
Net (loss) income before zakat	(14,001,031)	6,203,727
Adjustments for:		
Depreciation	943,857	2,983,950
Gain from revaluation of investments in trading securities	-	(5,183,236)
Realised gain from investments in trading securities	(26,060,853)	-
Gain from selling investments in lands and real estate fund	(1,125,000)	-
Gain on disposal of property, plant and equipment	(11,000)	(27,000)
Dividends from investments in companies' at cost	(3,133,378)	(8,490,259)
Company's share in net (income) loss from investment associate	(3,545,610)	1,389,272
Loss from impairment of investment in companies' at cost	3,960,544	-
Provision for projects under study	5,076,846	-
Loss from assets held for sale	33,586,143	-
End-of-service indemnities	225,120	241,423
Changes in operating assets and liabilities:		
Accounts receivable, net	(3,202,327)	(394,594)
Inventories, net	1,414,605	(191,783)
Due from related parties	-	(44,000)
Prepayments and other debit balances	(6,553,354)	(651,953)
Accounts payable and payments received in advance	27,550,495	62,177
Accruals and other credit balances	(884,393)	(4,418,978)
Cash from (used in) operations	14,240,664	(8,521,254)
End-of-service indemnities paid	(49,506)	(737,097)
Zakat paid	(4,388,680)	(2,255,510)
Net cash from (used in) operating activities	9,802,478	(11,513,861)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(620,135)	(414,459)
Proceeds from disposal of property, plant and equipment	11,000	121,375
Proceeds from selling investments in lands and real estate fund	11,225,000	-
Additions to investments in companies' at cost	(6,631,534)	-
Dividend income received	7,324,014	8,490,259
Proceeds from selling investments in trading securities	177,962,462	-
Additions to projects under study	(400,000)	(556,852)
Net cash from investing activities	188,870,807	7,640,323



Handwritten signature in blue ink, appearing to be a stylized 'A' or similar character, located to the right of the official stamp.

AL-AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (Continued)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

	2014 SR (Un-audited)	2013 SR (Un-audited)
FINANCING ACTIVITIES		
Repayment of long term loan	(64,970,000)	(3,000,000)
Net cash used in financing activities	(64,970,000)	(3,000,000)
Net change in cash and cash equivalents	133,703,285	(6,873,538)
Cash and cash equivalents, January 1	7,569,855	16,564,391
Cash and cash equivalents transferred (note 1)	-	511,876
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	141,273,140	10,202,729
Non-cash transaction:		
Transfer of property plant and equipment to assets held for sale (note 5)	58,282,312	-
Transfer of inventories to assets held for sale (note 5)	6,803,828	-
Net assets (excluding cash) transferred from acquired subsidiary (note 1)	-	2,143,440

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



AL-AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2014

I. ORGANIZATION AND ACTIVITIES

Al-Ahsa Development Company (the "Company") is a Saudi Joint Stock Company established in accordance with the Ministerial Decree No. 573 dated 14 Rabi' II, 1414 corresponding to October 1, 1993 and registered under commercial registration No. 2252021816 dated 1 Jumada II, 1414 corresponding to November 15, 1993.

The principal activities of the Company are establishing industrial projects, acquisition of real estate and lands and investing in them, acquisition of health care, educational, tourism and agriculture facilities and the establishment of cooling stores, transport fleets, gas stations and operating, maintenance and management operations for industrial and residential areas, trading in businesses within the Company's scope of operations and commercial agencies.

The share capital of the Company is SR 490 million divided into 49 million shares of SR 10 each as of September 30, 2014 and 2013.

The Company's principal place of business is in Al-Ahsa, Kingdom of Saudi Arabia.

The accompanying consolidated interim financial statements include the financial statements of the Company and its subsidiaries as listed below:

- Saudi Japanese Textile Industry Company
- Al-Ahsa Food Industries Company
- Al-Ahsa Real Estate Development Company

The Company and its subsidiaries are hereinafter referred to as "the Group"

Saudi Japanese Textile Industry Company

Saudi Japanese Textile Industry Company, incorporated in the Kingdom of Saudi Arabia, ceased production in 2007 and the commercial registration has not been renewed, the articles of association have not been updated to reflect the Company's shareholding.

The principal activity of Saudi Japanese Textile Industries Company is to produce textile products.

As of September 30, 2014, the accumulated losses of Saudi Japanese Textile Industry Company amounted to SR 197,154,335 (September 30 2013: SR 157,846,095), which exceeded 50% of its share capital amounting to the SR 70 million. As per Article No. 180 of the Company's Regulations, the stockholders have to decide whether to continue the operations and support or liquidate the subsidiary. Accordingly, Al-Ahsa Development Company's Board of Directors decided on 19 Muharram 1427H corresponding to 18 February 2006 to provide the required financial support in order to pay its obligations when due.

On October 9, 2006, the Japanese partners of the Saudi Japanese Textile Industry Company (Marubeni Company and Seiren Company) decided to waive their entitlement to their shares amounting to 18% of the Company's share capital in favour of Al-Ahsa Development Company so that Al-Ahsa Development Company holds 100% of the subsidiary share capital. The legal procedures relating to this waiver are still in progress.

Due to the continuous losses in the textile operations, the Board of Directors of the subsidiary resolved on 17 Shawal, 1428 corresponding to October 29, 2007 to cease production and consider restructuring plans to avoid future losses.



AL-AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2014

During the period the board of directors of Al-Ahsa Development Company resolved to offer the property, plant and equipment and the inventory related to Saudi Japanese Textile Industry Company for sale. Accordingly, the property plant and equipment and inventories has been classified as assets held for sale under current assets (note 5).

Al-Ahsa Food Industries Company

The Company previously owned 50% shareholding in Al-Ahsa Food Industries Company, a company incorporated in the Kingdom of Saudi Arabia.

Al-Ahsa Food Industries Company is engaged in processing and selling dates.

The Board of Directors of Al-Ahsa Development Company approved on 12 Muharram, 1433 corresponding to December 7, 2011 for the Company to acquire from Al-Sharqia Company for Development the remaining 50% shareholding in Al-Ahsa Food Industries Company for a consideration of SR 8 million.

Following the completion of the legal formalities for the transfer of ownership from Al-Sharqia Company for Development at the end of year 2012 (giving the Company 100% effective ownership of Al-Ahsa Food Industries Company) this entity has been consolidated as a subsidiary in the nine months ended September 30, 2014 and 2013.

Net assets transferred as of January 1, 2013 are as follows:

	<u>SR</u>
Assets	
Cash and cash equivalents	511,876
Accounts receivable, net	447,942
Inventories, net	2,994,976
Prepayments and other debit balances	92,299
Property and equipment, net	3,276,696
Total assets	<u>7,323,789</u>
Liabilities	
Accounts payable	1,241,998
Accruals and other credit balances	140,766
Zakat provision	879,467
Due to a related party	1,929,966
End of service indemnities	476,276
Total liabilities	<u>4,668,473</u>
Net assets transferred	<u>2,655,316</u>

Al-Ahsa Real Estate Development Company

Al-Ahsa Real Estate Development established in the Kingdom of Saudi on 16 shawal, 1435 corresponding to August 13, 2014 and registered under commercial registration N0.2252021816.

The principal activities of the company are purchasing lands for establishing buildings on, invest in these lands by selling or renting for the benefit of the company, and establishing, managing, operating and maintenance residential complexes, chalets, motels, entertainment centres, longer areas, residential furnished units and malls, in addition to maintenance and development of real estate, and general construction for buildings (generating, repairing, demolition, restoration).



AL-AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2013

The share capital of the company is SR 500,000 divided into 5,000 shares of SR 10 each, and it is owned by 99% for Al-Ahsa Development and 1% for Al-Ahsa food Industries Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated interim financial statements have been prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization of Certified Public Accountants ("SOCPA"). The following is a summary of significant accounting policies applied by the Group:

Principles of consolidation

The consolidated interim financial statements incorporate the interim financial statements of the Company and entities controlled by the Company prepared as of September 30. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. All significant intercompany transactions and balances between the Company and its subsidiaries have been eliminated in preparing the consolidated interim financial statements.

Accounting convention

The consolidated interim financial statements are prepared under the historical cost convention, except for those investments in financial instruments that are presented at fair value.

Use of estimates

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

Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits and highly liquid investments with original maturities of three months or less.

Accounts receivable

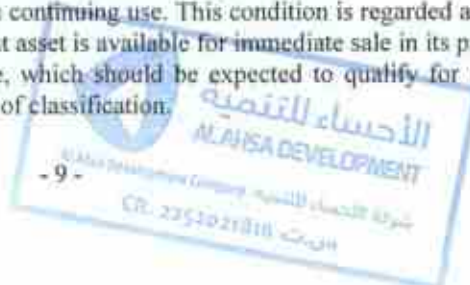
Accounts receivable are carried at their original amount less provision made for doubtful accounts. Provision for doubtful accounts is established when there is significant doubt that the Group will be able to collect all amounts due according to the original terms of trade receivables.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined, for finished goods and work-in-process, on a weighted average cost basis and includes cost of materials, labor and an appropriate proportion of direct overheads. All other inventories are valued on a weighted average cost basis.

Assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.



AL-AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2013

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment

Property, plant 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 useful lives of the principal classes of assets are as follows:

	<u>Years</u>
Buildings	20-33
Tools and equipment	4 - 50
Furniture and fixtures	3 - 10
Motor vehicles	4

Impairment

At each consolidated interim balance sheet date, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

Investments in trading securities

Trading investments are stated at fair value and unrealized gains and losses thereon are included in the consolidated interim statement of income. Gain and losses from sales of trading investments are calculated based on the differences between the proceeds from the disposed investments and the book value of these investments are recognized in the consolidated interim statements of income.

Investments in available for sale securities

Available for sale investments are stated at fair value, and unrealized gains and losses thereon are included in consolidated interim statement of stockholders' equity. When these investments are disposed or determined to be impaired on these securities, the accumulated losses recorded in the consolidated interim statement of stockholders equity are transferred to the consolidated interim statement of income. When there is a reclassification of available for sale to trading securities, the unrealized gain or loss as of the date of the reclassification is recorded in the consolidated interim statement of income.



AL-AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2013

Investments in associates

An associate is an enterprise in which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee. The results and assets and liabilities of associates are incorporated in these consolidated interim financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognize any impairment in the value of the individual investments.

Investments in companies' at cost

Investments in companies in which the Group neither exercises control nor significant influence are held at cost less allowance for impairment in value. Income from these investments is recognized when dividends are declared.

Investments in lands and real estate fund

Investments in lands and the real estate fund owned by the Group for the purposes of capital appreciation and/or undetermined future use are classified hereunder. Investments in lands and the real estate fund are stated at cost adjusted for permanent impairment (if any).

Goodwill

Goodwill arising from the investment in subsidiaries represents the excess of the cost of acquisition over the Company's interest in the fair value of the net assets at the date of acquisition. Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

Any impairment loss for goodwill is recognized directly as loss in the consolidated interim statement of income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Projects under study

Projects under study represent costs incurred on various projects under study, which the Company's management consider to have future economic benefits. These costs are expensed when projects are deemed not feasible.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Group.

Zakat

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



AL-AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2013

End-of-service indemnities

End-of-service indemnities, required by labor laws, are provided in the consolidated interim financial statements based on the employees' length of service.

Provision for obligations

A provision is recognized in the consolidated interim financial statements when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Statutory reserve

In accordance with Regulations for Companies in Saudi Arabia and the Company's articles of association, the Group 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.

Foreign currency translation

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidated interim balance sheet date. All differences are taken to consolidated interim statement of income.

Sales recognition

Sales are recognized upon delivery of goods to customers and are stated net of trade or quantity discounts.

General and administrative expenses

General and administrative expenses include direct and indirect in the distribution and expenses not related to production or sales activities as required under generally accepted accounting principles. Allocations between cost of sales, and general and administrative expenses, when required, are made on consistent basis.

Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to the consolidated statement of income on a straight line basis over the term of the operating lease.

Segmental reporting

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



AL-AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2013

3. BUSINESS SEGMENTS

The Group's operating assets and principal markets of activity are located in the Kingdom of Saudi Arabia.

	Textiles	Food	Real Estate	Investments	Total
	SR	SR	SR	SR	SR
2014					
For the nine months ended September 30 (un-audited)					
Sales and revenue	-	4,221,076	-	33,864,841	38,085,917
Operating income (loss)	(416,753)	(1,128,963)	(30,170)	29,740,959	28,165,073
As of September 30 (un-audited)					
Property, plant and equipment	-	3,044,445	-	585,835	3,630,280
Total assets	31,510,536	8,767,484	582,500	514,553,881	555,414,401
Total liabilities	2,815,083	1,655,691	-	33,144,607	37,615,381
2013					
For the nine months ended September 30 (un-audited)					
Sales and revenue	-	4,827,774	-	12,284,223	17,111,997
Operating income (loss)	(2,774,835)	28,063	-	9,047,435	6,300,663
As of September 30 (un-audited)					
Property, plant and equipment	59,110,245	3,061,120	-	716,804	62,888,169
Total assets	70,080,664	7,374,281	-	501,656,263	579,111,208
Total liabilities	67,831,374	2,328,434	-	2,817,510	72,977,318



(Handwritten signatures in blue ink)

AL-AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2013

3. BUSINESS SEGMENTS (Continued)

	Textiles	Food	Real Estate	Investments	Total
	SR	SR	SR	SR	SR
2014					
For the three months ended September 30 (un-audited)					
Sales and revenue	-	1,016,849	-	22,371,529	23,388,378
Operating income (loss)	1,358,629	(681,298)	(30,170)	20,514,229	21,161,390
As of September 30 (un-audited)					
Property, plant and equipment	-	3,044,445	-	585,835	3,630,280
Total assets	31,510,536	8,767,484	582,500	514,553,881	555,414,401
Total liabilities	2,815,083	1,655,691	-	33,144,607	37,615,381
2013					
For the three months ended September 30 (un-audited)					
Sales and revenue	-	1,131,052	-	3,615,742	4,746,794
Operating income (loss)	(861,598)	(309,354)	-	2,386,495	1,215,543
As of September 30 (un-audited)					
Property, plant and equipment	59,110,245	3,061,120	-	716,804	62,888,169
Total assets	70,080,664	7,374,281	-	501,656,263	579,111,208
Total liabilities	67,831,374	2,328,434	-	2,817,510	72,977,318

4. (LOSS) EARNINGS PER SHARE

(Loss) earnings per share from net (loss) income are computed by dividing net (loss) income for the period by the weighted average number of shares outstanding during the period. The outstanding number of shares for the period ended September 30, 2014 and 2013 were 49 million shares.

(Loss) earnings per share from other operations are calculated by dividing other (loss) income for the period by the weighted average number of outstanding shares.

Earnings per share from continuing main operations are computed by dividing operating income after deducting zakat and finance charges for the period by the weighted average number of shares outstanding during the period.



AL-AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2013

5. ASSET HELD FOR SALE

During the period the board of directors of Al-Ahsa Development Company decided to sell the property, plant and equipment and the inventories related to Saudi Japanese Textile Industry Company. Accordingly, the property plant and equipment and the inventories have been classified as held for sale in current assets.

The company received, in the context of general competition for the sale of throughout the Saudi Industrial Property Authority (Modon), a tender offer from Takween Advanced Industries (a related party to a board member) to purchase all the property, plant and equipment which is owned by Saudi Japanese Textile Industry Factory except for inventories amounting to SR 31.5 million. The board of directors approved the sale which was approved by the General Assembly in their meeting on October 19, 2014. During the period, the Company repaid a loan from the Saudi Industrial Development Fund in full with due interests, and mortgage release of property, plant and equipment started. Under the sale contract, the Company received an amount of SR 28 million as an down payment, provided the remaining amount to be paid after completion of sale procedures/ terms.

Accordingly the company booked a loss with the amount of SR 33.6 million which represents the difference between the net book value of assets held for sale and the contract amount received; also the loss includes the impairment of inventory.

6. CONTINGENT LIABILITIES

A lawsuit was filed against the Company by a third party, claiming an amount of SR 24.5 million in fees for providing consultancy services to the aluminum factory project, a project currently under study. The case was filed against the Company in the General court in Riyadh, and the General Court's decision was issued in Riyadh on 19 Shawwal 1434H corresponding to August 26, 2013 rejecting the case. On 13 Rabi' I, 1435 corresponding to January 14, 2014 the third party appealed against this decision and no final decision have been taken until the report date.

7. PRIOR YEAR ADJUSTMENTS

As of December 31, 2012 unrealized losses from investments in available for sale securities in the consolidated statement of stockholders' equity amounted to SR 64,184,636. The current management believed that there was an error in the judgment of the impairment in the past based on the market financial indicators at that time, and part of these losses represent a permanent decline in investments' value which should have been accounted for in the consolidated statement of income for the year ended December 31, 2009, when the impairment occurred. Management assessed the value of the impairment in the amount of SR 43,761,753.

Accordingly, a prior year adjustment was made at January 1, 2012 to reduce unrealized losses by SR 43,761,753, the effect of which was a reduction in retained earnings by SR 38,517,838 and statutory reserve by SR 5,243,915 to reflect the impact of the above adjustment.

8. RESULTS OF INTERIM PERIOD

The results of the interim period are not an indication of the results of the full statutory financial year.

