Al-Ahsa Development Company
(Joint Stock Company)
Al-Ahsa – Saudi Arabia
Consolidated Financial Statements and Auditors' Report
For the year ended December 31, 2012

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(Joint Stock Company)
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Auditors' Report

To, The Shareholders
Al-Ahsa Development Company
Al-Ahsa –Saudi Arabia

We have audited the accompanying consolidated balance sheet of **Al-Ahsa Development Company and its Subsidiary (Joint Stock Company)** as of December 31, 2012, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from 1 to 27, which are an integral part of these consolidated financial statements, which were prepared by the management and presented to us together with all information and explanations that we requested. The accompanying consolidated financial statements are the responsibility of Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion and based of our audit, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated balance sheet of **Al-Ahsa Development Company and its Subsidiary** as of December 31, 2012, and the results of its consolidated operations, its consolidated cash flows and consolidated changes in shareholders' equity for the year then ended in accordance with generally accepted accounting standards applicable to the Company.

Also, in our opinion, the Consolidated financial statements in whole agree with:

- The requirements of the Regulations for Companies and the Company's Article of Association insofar as those relate to the preparation and presentation of these consolidated financial statements.
- The accounting records kept in a computer system in accordance with the Local Regulations.

ASSOCIATED ACCOUNTANTS

Independent Member of Geneva Group International

Auditors' Report (continued)

Emphasis of matter:

As described in note No. (3-b), the board of directors of Al-Ahsa Development Company has agreed on 12 Muharram 1433H corresponding to December 7, 2011G to buy the share of Al-Sharqia Company for Development in Al-Ahsa Food Industries Company (Limited Liability Company) which amounted to 50% of the total shares of SR. 8 million. Therefore, the ownership of Al-Ahsa Development Company becomes 100% in share capital of Al-Ahsa Food Industries Company, and because the procedures of ownership transfer are not yet completed till the issuance date of these consolidated financial statements, the Company does not consolidate the financial statements of Al-Ahsa Food Industries Company (Subsidiary Company) in these consolidated financial statements for the year ended December 31, 2012.

As described in note No. (3-c) the board of directors of Al-Ahsa Development Company has agreed on 26 Dhul'Hijjah, 1433H corresponding to November 11, 2012G to buy the share of Al-Arabia Company for Investment in Al-Ahsa Medical Services Company (Limited Liability Company) which amounted to 12.5% of the total shares of SR. 23 million. Therefore, the ownership of Al-Ahsa Development Company becomes 41.25% of the share capital of Al-Ahsa Medical Services Company. The share of Al-Ahsa Development Company consider as a control share because the managing director of Al-Ahsa Medical Services Company representative of Al-Ahsa Development Company in addition to two other members who have the legitimacy to represent 50% of the board of directors of Al-Ahsa Medical Services Company, and because the procedures of ownership transfer are not yet completed till the issuance date of these consolidated financial statements , the Company does not consolidate the financial statements of Al-Ahsa Medical Services Company (Subsidiary Company) in these consolidated financial statements for the year ended December 31, 2012.

Associated Accountants

Date: January 23, 2013

Hamoud Ali Al-Rubian
(License No. 222)

Al-Ahsa Development Company
(Joint Stock Company)
Consolidated Balance Sheet
as of December 31, 2012
(Saudi Riyal)

Assets	**Note**	**2012**	**2011**
Current assets:			
Cash and cash equivalents	2	**16,564,391**	68,511,116
Investments in trading securities	2&4	**22,078,134**	17,416,982
Accounts receivable, net	2&5	**7,029,987**	14,000,000
Inventory, net	2&6	**10,381,188**	10,381,188
Due from related party	7	**1,885,966**	2,122,563
Other receivables and prepayments	2&8	**3,627,452**	889,559
Total current assets		**61,567,118**	113,321,408
Non-current assets:			
Investments in available for sale securities	2&9	**108,327,885**	71,854,490
Investments in affiliates	2&10	**65,031,295**	31,251,840
Investments in companies' share capital	2&,11	**81,402,099**	85,761,128
Investments and properties participations	2&12	**177,230,000**	177,230,000
Property and equipment, net	2&13	**62,275,339**	64,931,947
Projects under study	2&14	**7,342,505**	5,634,905
Total non-current assets		**501,609,123**	436,664,310
Total Assets		**563,176,241**	549,985,718
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable		**1,973,841**	2,119,374
SIDF loan-current portion	2&15	**3,000,000**	3,000,000
Other payables and accruals	2&16	**6,651,239**	4,617,989
Provision for Zakat	2&17	**2,048,994**	1,795,469
Total current liabilities		**13,674,074**	11,532,832
Non-current liabilities:			
SIDF loan	2&15	**64,970,000**	67,970,000
Provision for end of service benefits	2	**870,559**	1,121,037
Total non-current liabilities		**65,840,559**	69,091,037
Total liabilities		**79,514,633**	80,623,869
Shareholders' equity:			
Share capital	18	**490,000,000**	490,000,000
Statutory reserve	19	**36,747,502**	36,480,798
Retained earnings		**21,098,742**	23,003,663
Unrealized losses from investments in available for sale securities		**(64,184,636)**	(80,122,612)
Total shareholders' equity		**483,661,608**	469,361,849
Total Liabilities and Shareholders' Equity		**563,176,241**	549,985,718

The accompanying notes from 1 to 27 are an integral part of these consolidated financial statements

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Al-Ahsa Development Company
(Joint Stock Company)
Consolidated Statement of Income
for the year ended December 31, 2012
(Saudi Riyal)

	Note	2012	2011
Gain from investments	20	**14,315,798**	14,559,471
Unrealized gain from investment in trading securities		**2,061,153**	1,153,278
Gross profit		**16,376,951**	15,712,749
General and administrative expenses	2&21	**(4,716,161)**	(4,273,043)
Depreciation		**(3,363,930)**	(3,762,262)
Operating income		**8,296,860**	7,677,444
Loss from inventory evaluation		**-**	(4,848,100)
Loss from impairment of investment value in companies' share capital	2&11	**(4,359,029)**	-
Amortized projects under study and deferred finance charges		**-**	(1,062,874)
Other income		**1,099,664**	1,619,982
Finance charges	2	**(619,202)**	-
Net income before Zakat		**4,418,293**	3,386,452
Zakat charge	2&17	**(1,751,255)**	(3,253,243)
Net income for the year		**2,667,038**	133,209
Earnings per share from net operating income / Saudi Riyal	22	**0.17**	0.16
Earnings per share from net income for the year/ Saudi Riyal	22	**0.05**	0.003

The accompanying notes from 1 to 27 are an integral part of these consolidated financial statements

Al-Ahsa Development Company
(Joint Stock Company)
Consolidated Statement of Cash Flows
for the year ended December 31, 2012
(Saudi Riyal)

Cash Flows From Operating Activities:	**2012**	**2011**
Net income for the year	**2,667,038**	133,209
Adjustment to reconcile net income to net cash flows provided by operating activities:		
Depreciation	**3,363,930**	3,762,262
Gain from revaluation of investments in trading securities	**(2,061,153)**	(1,153,278)
Dividends received and investments gains	**(6,320,206)**	(4,952,500)
Company's share in (gain) loss of affiliates	**(2,542,243)**	(1,226,350)
Amortized part of cost of projects under study and deferred finance charges	-	1,062,874
Loss from inventory evaluation, obsolete and slow moving inventory	-	4,848,100
Impairment provision of investment value in companies' share capital	**4,359,029**	-
Provision for end of service benefits	**257,810**	162,807
Zakat provision	**1,751,255**	3,253,243
Gain from sale of properties participation	-	(4,000,000)
Prior year adjustments	**(4,305,255)**	41,533
	(2,829,795)	1,931,900
Changes in the components of working capital:		
Accounts receivable	**6,970,013**	89,519,424
Net change in related parties balances	**236,597**	(722,583)
Inventory	-	(15,229,288)
Other receivables and prepayments	**(2,737,893)**	(300,233)
Accounts payable	**(145,533)**	(134,995)
Other payables and accruals	**2,033,250**	(7,113,731)
End of service benefits paid	**(508,288)**	(756,590)
Zakat paid	**(1,497,730)**	(20,000,000)
Net cash flows provided by operating activities	**1,520,621**	47,193,904
Cash Flows From Investing Activities:		
Acquisition of property and equipment	**(707,322)**	(368,161)
Net change in investments in trading securities	**2,599,999**	39,382,000
Net change in available for sale securities	**(20,535,419)**	-
Net change in investments in companies' share capital and properties participations	**(24,917,006)**	3,900,000
Additions to projects under study	**(1,707,600)**	(830,271)
Net cash flows (used in) provided by investing activities	**(50,467,346)**	42,083,568
Cash Flows From Financing Activities:		
Repayment of long-term loan	**(3,000,000)**	(36,713,595)
Cash flows used in financing activities	**(3,000,000)**	(36,713,595)
Net cash generated during the year	**(51,946,725)**	52,563,877
Cash and cash equivalents at the beginning of the year	**68,511,116**	15,947,239
Cash and cash equivalents at the end of the year	**16,564,391**	68,511,116

The accompanying notes from 1 to 27 are an integral part of these consolidated financial statements

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Al-Ahsa Development Company
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Consolidated Statement of Changes in Shareholders' Equity
for the year ended December 31, 2012
(Saudi Riyal)

	Share capital	Statutory Reserve	Retained Earnings	Unrealized Loss	Total
2011					
Balance as of December 31, 2010	490,000,000	36,467,477	22,842,242	(70,082,339)	479,227,380
Net income for the year	-	-	133,209	-	133,209
Transfer to statutory reserve	-	13,321	(13,321)	-	-
Unrealized gain from investments in available for sale securities	-	-	-	(10,040,273)	(10,040,273)
Prior year adjustments	-	-	41,533	-	41,533
2012					
Balance as of December 31, 2011	**490,000,000**	**36,480,798**	**23,003,663**	**(80,122,612)**	**469,361,849**
Net income for the year	-	-	**2,667,038**	-	**2,667,038**
Transfer to statutory reserve	-	**266,704**	**(266,704)**	-	-
Unrealized loss from investments in available for sale securities	-	-	-	**15,937,976**	**15,937,976**
Prior year adjustments	-	-	**(4,305,255)**	-	**(4,305,255)**
Balance as of December 31, 2012	**490,000,000**	**36,747,502**	**21,098,742**	**(64,184,636)**	**483,661,608**

The accompanying notes from 1 to 27 are an integral part of these consolidated financial statements

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ALAHSA DEVELOPMENT
شركة الأحساء للتنمية Al-Ahsa Development Company
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1-Legal Status 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, 1414H corresponding to October 1, 1993G and registered under CR. No. 2252021816 dated 1 Jumada II, 1414H corresponding to November 15, 1993G. The Company's duration is set for 99 years starting from the issuance date of its establishment the Commerce Minister's Decree.

The main activity of the Company is to engage in establishment of industrial projects and own real estate, land, investment, health and educational facilities, tourism, agriculture and the establishment of stores for cooling and transport fleets, stations and fuel and maintenance, management and operation of industrial estates, residential, and contribute to the business within the scope of the Company and the representation of commercial agencies.
The Company was founded with a share capital of SR 300,000,000 which was increased three times through issuance of bonus shares upon the approval of the Extraordinary General Assembly of the Company.

Approved by the 4th Extraordinary General Assembly held on 3 Dhul Qa'adah, 1426H corresponding to December 5, 2005G to increase the Company's share capital for the first time from SR. 300 million to SR. 343 million, and the amendment of Article 7 of the Company's Article of association relevant to share capital, has been done by granting one bonus share for every seven shares have been financed from retained profits.

Approved by the 5th Extraordinary General Assembly held on 11 Jumada I, 1427H corresponding to June 7, 2006G to increase the Company's share capital for the second time from SR. 343 million to SR. 428.75 million, and the amendment of Article 7 of the Company's Article of association relevant to share capital, has been done by granting one bonus share for every four shares were financed from retained profits.

Approved by the 6th Extraordinary General Assembly held on 3 Dhul Hijjah, 1429H, December 1, 2008G to increase the Company's share capital for the third time from SR. 428.75 million to SR. 490 million is divided into 49 million shares with a par value of SR. 10, and the amendment of Article 7 of the Company's Article of association relevant to share capital.

Approved by the Extraordinary General Assembly seventh, which was held on 30 Dhul Qa'adah, 1431H corresponding to December 6, 2011G amendment to Article 16 of the Company's Article of association to increase the number of members of the Board of 5 members to 7 members and the amendment of Article 24 of the Company's Article of association resulting from the amendment of Article 16 of the meeting shall be valid The number of attendees at least four members, and approved the selection rules for the nomination and Remuneration Committee and the duration of their membership and style of their work.

2- Significant Accounting Policies

The accompanying consolidated financial statements have been prepared in compliance with the generally accepted accounting standards promulgated by the Saudi Organization for Certified Public Accountants ("SOCPA"). Significant accounting policies adopted in preparation of these consolidated financial statements are as follows:

Using of estimates:

The preparation of the consolidated financial statements from management require the use of estimates and assumptions that effect the implementation of the policies and the value of assets, liabilities, these estimates and its assumptions are depending on the historical knowledge and other various factors which the Company's management consider it as a reasonable in the current events and circumstances, revenues and expenses.
These estimates and assumptions are reviewed continuously and recognize any difference in accounting estimates at the period of changing those estimates, and if the differences affect the period in which change and future periods are set for , then these differences are inserted in the period in which the revision and future periods set for.
The most important items and its notes where these estimates and judgment are used in consist of accrued expenses, other obligations, provisions and contingent liabilities.
The Company is implementing the accounting policies consistently and agree with those applied in all presented periods at these consolidated financial statements.

Basis of consolidation:

The consolidated financial statements include the accompanying financial statements of the Company and its subsidiary the Saudi Japanese Textile Industry Company, Ltd., the subsidiary is an enterprise controlled by the Company and this control is achieved by the ability to control in financial and operating policies of the subsidiary in order to obtain benefits from its activities, is also taken into consideration the future voting rights for the ability to command and control.
The financial statements of the subsidiary are inserted in the consolidated financial statements from the date of control till the date of the losing such control.
All balances and important financial transactions that took place between the Company and its subsidiary are eliminated when the consolidated financial statements are prepared, also any unrealized gains and losses resulting from the internal transactions are eliminated at the time of consolidating of the financial statements. Company's financial statements for subsidiary are prepared at the same date of the Company's financial year, using consistent accounting policies.

The Company has the following investments in the subsidiary which owned by the dominant majority, and which is mainly engaged in "the production of fabrics and textiles."

Name	Country of Incorporation	(%) of the actual ownership as of Dec. 31 2012	2011
Saudi Japanese Textile Industry Company Ltd.	Saudi Arabia	**100%**	100%

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2- Significant Accounting Policies (continued)

Cash and cash equivalents:

Cash and cash equivalents represent cash in hand at banks, deposits and current accounts.

Investments in trading securities:

Represent investments in local equity fund through local banks, the equity fund is valued at fair value by the end of each financial period. The realized and unrealized gains and losses are included at the consolidated statement of income.

Accounts receivables:

Accounts receivable are stated net of provision for bad debts. Provision for bad debts is made when there is a doubt about the Company's ability to collect the full amount in accordance with original accounts receivable terms.

Inventory:

Inventory is valued at the lower of cost or net realizable value. Cost is determined on weighted-average method, include incurred expenses for the acquisition of inventory, cost of production or cost of conversion and other incurred costs to deliver inventory to the Company's stores. The cost of finished goods and under progress, include an appropriate share of other production expenses based on normal operating capacity, net realizable value is the estimated selling price in the normal activity after deducting the estimated costs of completion and selling expenses.

Other receivables and prepayments:

Other receivables and prepayment are stated at cost less any impairment of its value.

Impairment of assets:

Financial assets

A financial asset is considered impaired, if there is an objective evidence indicates that there are one or more events have a negative impact on the estimated future cash flows from the use of the asset, and the impairment losses related to financial assets are measured at used cost with difference between the book value and the present value for the estimated future cash flows using the effective interest rate of the asset, the impairment losses related to the financial asset available for sale are measured by using the fair value. Testing of significant financial assets are performed for each asset separately, for other financial assets are performed for each group for the remaining financial assets of all groups which share in credit risk characteristics. All impairment losses are recognized at the consolidated income statement and the accumulated losses related to financial assets available for sale which is stated at the consolidated shareholders' equity which are recognized at consolidated income statement, impairment losses are discharged if the discharging can be associated objectively to an event occurring after recognition of impairment losses. Discharging of impairment losses of financial assets are measured at used cost and financial assets that debt instruments are recognized in the consolidated income statement, discharging of impairment losses in available for sale of financial assets are equity instrument directly to consolidated shareholders' equity.

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2- Significant Accounting Policies (continued)

Non-financial assets

The book value amounts of the non-financial assets of the Company other than inventory at the date of each balance sheet to determine whether there is an indication of the impairment.

the impairment losses are recognized if the book value of the asset or its cash-generating unit more than redemption value, the cash-generating unit in a smaller group which can be identified from assets that generate cash inflows within and be largely independent of cash inflows from other assets or groups of assets, impairment losses are recognized at the consolidated statement of income.

The redemption value of the asset or the cash-generating unit in the value of usability or fair value less selling costs, which is greater.

The recognized impairment losses are reviewed in prior periods for other assets at the date of the consolidated balance sheet, in the case of indicators to decrease the loss or lack thereof is reversed the effect of impairment losses within the limits not to be exceed the book value of the asset its value that would have been determined (net of depreciation) if the impairment loss is not recognized yet.

Investments in available for sale securities:

Investments in available for sale securities are measured at fair value at consolidated balance statement, the unrealized gains and losses are recognized in an independent item at consolidated shareholders' equity.

Investments in affiliates:

The consolidated financial statements contain investments in affiliates, which the Company has its significant influence but not control are recognized in accordance with equity method, whereas the investment is recognized at acquisition cost then the balance of investment can be incurred or reduced by the Company's share in gains or losses of investee's Company, which is realized after acquisition date, and the balance of investment reduced by dividends.
In case the losses of investments exceeded the value of investment in affiliates, these losses does not recognized except in case of existence of legal or substantial commitment to bear those losses and it can be recognized in case of commitment payment on behalf of affiliates.

Investment in companies' share capital:

Investment in companies' share capital, which the Company has no significant influence or control at acquisition are recognized at cost, whereby gains of these companies are recorded at the time of receipt and distribution.

Investments and properties participations:

Investments and properties participations are recognized at cost and gains are recorded when the properties are sold.

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2- Significant Accounting Policies (continued)

Property and equipment:

Property and equipment are stated at cost net of accumulated depreciation and provision of impairment in value, cost include the expenses directly attributable to the acquisition of an asset. Subsequent expenses which lead to increase the future economic benefits of assets are capitalized, the other expenses are recognized at consolidated income statement as expenses when charged. The followings are the depreciation percentage fro each property and equipment for current and previous year:

Buildings	3%-12.5%
Plant and machinery	2%-6.67%
Transportation vehicles	25%
Furniture and office equipments	20%-33%

Projects under study:

Projects under study are stated at cost, include all direct related costs need to make the investment ready to operate and for the purpose of establishing such an investment. These costs are postponded and added to the cost of investments when the projects are establish or charged to expenses when projects are deemed not feasible.

All costs and expenses incurred by the Company are postponed before starting of commercial operations and has future benefits which are amortized using straight-line-method over 7 years from the date of commencement of commercial operations.

Loans:

Loans are recognized initially at the actual amounts received, repayment of installments are classified within 12 months as current liabilities, unless the Company has a right to delay repayment. Loans exceeding 12 month subsequent to balance sheet date are classified as long term liabilities.

Other payables and accruals:

Accounts payable are recognized at par value, accrued expenses are recognized with amounts to be paid in future against services and goods received.

Provisions:

Provisions are recognized when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. If the effect of time value of money is substantial, provisions are determined by deducting estimated future cash flows at discount rate which reflect the current market estimation for the time value of money and the related risk if it is appropriate.

Provision for Zakat:

Provision for Zakat is provided on accrual basis for each year separately in accordance with Zakat regulations applicable in the Kingdom of Saudi Arabia. Any difference in the estimate is recorded in the income statement, when the final assessment is approved in accordance with the disclosure standard requirements applicable to the accounting changes.

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2- Significant Accounting Policies (continued)

Provision for end of service benefits:

End of service benefits are payable to employees upon their termination are provided in the financial statements based on employees' length of services in accordance with guidelines of the Saudi Arabian labor regulations.

General and administrative expenses:

General and administrative expenses include expenses related to management and 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.

Operating leases:

Periodic payments of rent under operating lease are recorded as expenses in the income statement using straight-line basis over the lease term.

Cost of borrowing:

The cost of borrowing is included as an expense charged to the consolidated statement of income during the year in which the Company incurred this cost only if the capitalization of borrowing costs directly related to the acquisition, construction or production of a qualifying asset and recognized as part of the cost of the asset.

Financial instruments:

Financial assets and liabilities are recognized when the Company has become a part in the contractual agreements of financial instruments, reflecting the book value of financial assets and liabilities that appear in the financial statements at their fair value. The fair value is determined on an objective basis at the consolidated balance sheet date.

Foreign currency translation:

Foreign currency transactions are converted into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. 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 consolidated statement of income.

3- Subsidiary Companies

A- Saudi Japanese Textile Industry Company:

The accumulated losses of the Saudi Japanese Textile Industry Company amounted to SR 134,870,883 (SR. 131,992,880 :2011) exceeded 50% of its share capital amounting to the SR. 70 million. Current liabilities of the subsidiary exceeded its current assets by SR. 81,199,520 (SR. 78,043,665:2011), as per Article No. 180 of Company's regulations, the shareholders have to decide whether to continue the operations and support or liquidate the Company. Accordingly, Al-Ahsa Development Company's Board of Directors decided on 19 Muharram 1427H corresponding to 18 February 2006G to continue the activities of the subsidiary and provide the required financial support in order to pay its obligations when due.

3- Subsidiary Companies (continued)

A-Saudi Japanese Textile Industry Company (continued):

The Japanese partners of the Saudi Japanese Textile Industry Company (Marobini Company and Sirin Company) decided on October 9, 2006 to waive their Industry shares amounted to 18% of Company's share capital to Al-Ahsa Development Company free of charge, consequently, Al-Ahsa Development Company will hold 100% of its subsidiary. The legal procedures required to fix such waiver which are still in progress. After the Company has engaged a legal consultant to terminate the procedures and it's expected to finish these procedures through the financial year 2013.

Due to the continuous losses in textile sales which the subsidiary's factory produced, because of the sinking policy in Saudi textile market, and price competition is not possible because of the high operating costs due to the high investment cost of the factory. So, the Board of Directors for the subsidiary have resolved on 17 Shawal, 1428H corresponding to October 29, 2007G to cease the production and apply restructure plans to avoid future losses. The board of management has sleeked for opportunities and alternatives for re-operate the factory through the specialized companies in textile fabrics. The Company has signed on December 28, 2011 an understanding memorandum with an Indonesian Company leader in the manufacture of Textiles, this memorandum aims to create and re-operate the factory and to make technical configuration for the equipments, study of markets, the foundation of management and operation, and commercial re-operation for eight months commencing from the date of signature till August 30, 2012. The Board of Directors has approved on 29 Shawal, 1433H corresponding to September 16, 2012G to extend understanding memorandum for an additional four months ended in December 31, 2012. The Indonesian Company has completed the preparation of work plan and draft of management and operating contracts for fabric factory in Al-Ahsa.
And at the end of December 2012, the Company has received the initial draft of work plan and contracts which is under reviewing by executive administration to provided to the executive committee and then the board or directors. The expected approval by board of directors of the plane during the first quarter in 2013.

B-AlAhsa Food Industries Company:

The Board of directors of Al-Ahsa Development Company has approved on 12 Muharram, 1433H corresponding to December 7, 2011 to buy the share of Al-Sharqia Company for Development in Al-Ahsa Food Industries Company (Limited Liability Company), which amounted to 50% of the total shares by SR. 8 million, which the ownership of Al-Ahsa Development Company become 100% of Al-Ahsa Food Industries Company.
The Company has engaged a legal consultant to prepare ownership transfer and purchase agreement, which have not terminated yet till the date of these financial statements, which is expected to be completed in first quarter in 2013.

Since, the fiscal year for Al-Ahsa Food Industries Company starting on July 1 and ending on June 30 of each year, which requires the amendment of the Article of Association for subsidiary Company to start on January 1 and ending on December 31, of each year to conform with the fiscal year of Al-Ahsa Development Company for the purpose of consolidate the financial statements. Because the procedures of ownership transfer have not completed yet till the date of these financial statements, so the financial statements to Al-Ahsa Food Industries Company (Subsidiary Company) are not consolidated in these consolidated financial statements for the year ended December 31, 2012.

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(Saudi Riyal)

3- Subsidiary Companies (continued)

B- Al-Ahsa Food Industries Company (continued):

The following is a summary for the audited balance sheet and income statement for Al-Ahsa Food Industries Company as of December 31:

Balance sheet as of December 31:

	2012	2011(Unaudited)
Current assets	4,047,093	3,616,892
Non-current assets	3,276,696	4,125,437
Total Assets	7,323,789	7,742,329
Current liabilities	2,194,394	3,160,701
Non-current liabilities	2,406,242	469,206
Partners' equity, net	2,723,153	4,112,422
Total Liabilities and Partners' Equity	7,323,789	7,742,329

Statement of income for the year ended December 31:

	2012	2011(Unaudited)
Sales	5,860,102	4,291,242
Cost of sales	(3,944,297)	(3,858,954)
Depreciation	(1,658,274)	(2,041,221
Gross profit/(loss)	257,531	(1,608,933)
Selling and administrative expenses	(1,199,826)	1,170,851))
Loss of obsolete and slow moving inventory	(589,177)	-
Bad debts allowance	(467,922)	-
Other income	150,834	293,044
Net loss for the year	(1,848,549)	(3,026,740)

C-Al-Ahsa Medical Services Company :

The Board of Directors of Al-Ahsa Development Company has approved on 26 Dhul'Hijjah, 1433H corresponding to November 11, 2012G to buy the share of Al-Arabia Company for Investment in Al-Ahsa Medical Services Company (Limited Liability Company), which amounted to12.5% of the total shares by SR. 23 million, Al-Ahsa Development Company's ownership becomes 41.25% of Al-Ahsa Medical Services Company. The Company has engaged a specialized consultant offices to prepare ownership transfer and purchase agreement, which have not yet terminated till the issuance date of these consolidated financial statements, which is expected to be completed during 2013.

Al-Ahsa Development Company owned the largest share in Al-Ahsa Medical Services Company, which are entitled to have half number of board's members, the managing director of Al-Ahsa Medical Services Company is the vice chairman of the board of directors of Al-Ahsa Development Company and Chairman of Executive Committee, which made Al-Ahsa Development Company's share is the control share which should consolidate the financial statements.

Because the procedures of ownership transfer have not yet completed till the issuance date of these consolidated financial statements, so the financial statements to Al-Ahsa Medical Services Company (Subsidiary Company) are not consolidated in these consolidated financial statements for the year ended December 31, 2012.

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3- Subsidiary Companies (continued)

C-Al-Ahsa Medical Services Company (continued):

The following is a summary for audited statements of balance sheet and income for Al-Ahsa Medical Services Company:

Balance sheet as of December 31:

	2012	2011
Current assets	**53,825,448**	48,407,942
Non-current assets	**119,119,584**	121,262,152
Total Assets	**172,945,032**	169,670,094
Current liabilities	**17,088,319**	26,293,499
Non-current liabilities	**28,594,532**	31,190,734
Partners' equity, net	**127,262,181**	112,185,861
Total Liabilities and Partners' Equity	**172,945,032**	169,670,094

Statement of income for the year ended December 31:

	2012	2011
Revenues	**111,037,873**	90,460,073
Cost of revenues	**(76,675,579)**	(64,728,203)
Gross profit	**34,362,294**	25,731,870
Selling and administrative expenses	**(22,351,283)**	(24,464,313)
Operating income	**12,011,011**	1,267,557
Other income, net	**3,065,309**	7,091,593
Net income before Zakat	**15,076,320**	8,359,150
Zakat charge	**(956,877)**	(825,035)
Net income for the year	**14,119,443**	7,534,115

4- Investments in Trading Securities

Represent the Company's investments in a local trading securities fund. The value of the securities is stated by the end of each financial period as per its fair value declared by issuer. The re-valuation of investments as on December 31, 2012 resulted in a profit of SR 2,061,153 (SR. 1,153,278 :2011) which were charged to the consolidated statement of income for the year.

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5- Accounts Receivable

	2012	2011
Account receivables *	**7,029,987**	14,000,000
	7,029,987	14,000,000

*Account receivable represent as of December 31, 2012, amount of SR. 7,000,000 the rest of liquidation of the Company's contribution of real estate in Jeddah land, which was sold in 2011 resulted in a net profit of SR. 4 million which charged to the consolidated statement of income for comparative figure.

6- Inventory

	2012	2011
Ready textiles for sale	**10,381,188**	10,381,188
Raw materials	**1,206,029**	1,206,029
Spare parts	**433,068**	433,068
	12,020,285	12,020,285
Provision for obsolete and slow moving inventory	**(1,639,097)**	(1,639,097)
	10,381,188	10,381,188

- This amount represent the inventory cost of Saudi Japanese Textile Company (Subsidiary Company) Note. 3-A.

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7- Due from Related Party

Related party	Nature of relationship	Nature of transactions	Balance 2011	Transactions during the year		Balance 2012
				Debit	Credit	
Al-Ahsa Food Industries Company	Subsidiary	Financing	2,122,563	2,391,309	2,627,906	1,885,966
			2,122,563	2,391,309	2,627,906	1,885,966

During the year 2012, the Company has conducted transactions with Al-Ahsa Food Industries Company that include financing transactions. Such transactions were conducted at arm's length. Such balances are not subject to finance charges, and there is no specific terms of settlement.

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8- Other Receivables and Prepayments

	2012	2011
Accrued revenue on investment	**2,303,369**	197,625
Letter of guarantee	**669,284**	-
Refundable deposit	**419,182**	419,182
Prepaid expenses	**117,122**	122,911
Due to employees	**118,495**	116,875
Others	-	32,966
	3,627,452	889,559

9- Investments in Available for Sale Securities

The Company's investments represent the investment in Saudi Joint Stock Company which are located in the Saudi share market as follows:

Name of Investee Company	Nationality	Legal status	No. of shares 2012	No. of shares 2011
Yanbu National Petrochemical Company (Yansab)	Saudi Arabia	Joint Stock Company	**1,071,000**	1,071,000
Saudi Telecom Company	Saudi Arabia	Joint Stock Company	**666,666**	666,666
Saudi Industrial investment Group	Saudi Arabia	Joint Stock Company	**115,641**	115,641
Takween Advanced Industries Company	Saudi Arabia	Joint Stock Company	**500,000**	-
Dallah Health Services Holding Company	Saudi Arabia	Joint Stock Company	**65,151**	-

Net change in fair value of investment is as follows:

Name of the Company	Fair value 2011	Acquisition Cost	Unrealized gain from available for sale securities	Fair value 2012
Yanbu National Petrochemical Company (Yansab)	47,124,000		3,534,300	**50,658,300**
Saudi Telecom Company	22,533,311		6,333,327	**28,866,638**
Saudi Industrial investment Group	2,197,179		422,090	**2,619,269**
Takween Advanced Industries Company	-	18,059,681	3,840,319	**21,900,000**
Dallah Health Services Holding Company	-	2,475,738	1,807,940	**4,283,678**
	71,854,490	20,535,419	15,937,976	**108,327,885**

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10- Investments in Affiliates

A- Al-Ahsa Food Industries Company:

	Ownership (%)	2012	Ownership (%)	2011
Investment balance costs as of Jan.	**100%**	10,000,000	50%	10,000,000
Impairment of investments		(10,000,000)		(10,000,000)
Cost of buying share of Al-Sharyia Company for Development		8,000, 000		-
Payments on investments account		2,123, 012		-
		10,123,012		-
B-Al-Ahsa Medical Services Company:				
Investment balance cost as of Jan. 1,	**41.25%**	**31,251,840**	30.1%	30,025,490
Cost of buying share of Al-Arabia for Investment		**23,000,000**		-
Consulting office fees		**682,500**		-
Cost of sold part of shares		**(2,568,300)**		-
Company's share from gains		**2,542,243**		1,226,350
		54,908,283		31,251,840

A-Al-Ahsa Food Industries Company (Limited Liability Company) with paid in share capital of SR. 20 million, and on 12 Muharram, 1433H corresponding to December 7, 2011. The board of directors of Al-Ahsa Development Company has approved to buy the share of Al-Sharqia Company for Development in Al-Ahsa Food Industries Company (Limited Liability Company), which amounted to 50% of the total shares by SR. 8 million, which the ownership of Al-Ahsa Development Company becomes 100% of Al-Ahsa Food Industries Company.
The Company has engaged a legal consultant to prepare ownership transfer and purchase agreement, which have not yet terminated till the issuance date of these consolidated financial statements, which is expected to be completed in the first quarter in 2013.

Since, the fiscal year for Al-Ahsa Food Industries Company commencing on July 1 and ending on June 30 of each year, which requires the amendment of the Article of Association for subsidiary Company to commence on January 1 and to end on December 31, of each year to conform with the fiscal year of Al-Ahsa Development Company for the purpose to consolidate the financial statements. Because the procedures of ownership transfer have not yet completed till the issuance date of these financial statements, so the financial statements of Al-Ahsa Food Industries Company (Subsidiary Company) are not consolidated in these consolidated financial statements for the year ended December 31, 2012.

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B- Al-Ahsa Medical Services Company (continued):
The board of directors of Al-Ahsa Development Company has approved on 26 Dhul'Hijjah, 1433H corresponding to November 11, 2012G to buy the share of Al-Arabia Company for Investment in Al-Ahsa Medical Services Company (Limited Liability Company), which amounted to12.5% of the total shares by SR. 23 million, Al-Ahsa Development Company's ownership becomes 41.25% of Al-Ahsa Medical Services Company. The Company has engaged a specialized consultant offices to prepare ownership transfer and purchase agreement, which have not yet terminated till the issuance date of these consolidated financial statements, which are expected to be completed during 2013.
Al-Ahsa Development Company owned the largest share in Al-Ahsa Medical Services Company, which are entitled to have half number of board members, the managing director of Al-Ahsa Medical Services Company is the vice chairman of the board of directors of Al-Ahsa Development Company and Chairman of Executive Committee, which made Al-Ahsa Development Company's share is a control share which should consolidate the financial statements.
Because the procedures of ownership transfer have not yet completed till the issuance date of these consolidated financial statements, so the financial statements to Al-Ahsa Medical Services Company (Subsidiary Company) are not consolidated in these consolidated financial statements for the year ended December 31, 2012.

*All investment's are located in the Kingdom of Saudi Arabia.
*The Company has recognized its share in affiliate profit amounted to SR. 2,542,243 (SR. 1,226,350 :2011) in accordance with the Company's share in partners' equity regarding the audited financial statements for the year 2011, which were charged to the consolidated statement of income for the year.

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11- Investments in Companies' Share Capital

Name of the investee Company	Ownership Percentage 2012	Ownership Percentage 2011	Nationality	Legal status	No. of stock 2012	No. of stock 2011
Arabian Industrial Fibers Company (Ibn Rushd)	**0.42%**	0.42%	Saudi Arabia	Closed Joint Stock Company	3,550,000	3,550,000
National Company for Handling Service	**5%**	5%	Saudi Arabia	Closed Joint Stock Company	3,000,000	3,000,000
Industilization and Energy Services Company	**1.13%**	1.13%	Saudi Arabia	Closed Joint Stock Company	2,250,000	2,250,000
Arab Paper Manufacturing Company	**5.1%**	5.1%	Saudi Arabia	Closed Joint Stock Company	1,581,000	1,581,000
Al Ahsa Amusement and Tourism Company	**7.57%**	17.4%	Saudi Arabia	Closed Joint Stock Company	378,400	378,400

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11- Investment in Companies' Share Capital (continued)

The movement of these investments as of December 31 is as follows:

Name of the investee Company	Cost	Investment impairment	Balance 2012	Balance 2011
Arabian Industrial Fibers Company (Ibn Rushd)*	35,500,000	(26,191,901)	9,308,099	13,667,128
Arab Paper Manufacturing Company	15,810,000	-	15,810,000	15,810,000
Al Ahsa Amusement and Tourism Company	3,784,000	-	3,784,000	3,784,000
Industrialization and Energy Services Company**	22,500,000	-	22,500,000	22,500,000
National Company for Handling Services	30,000,000	-	30,000,000	30,000,000
	107,594,000	(26,191,901)	81,402,099	85,761,128

*The Company has recognized the impairment loss of investment amounted to SR. 4,359,029 regarding the interim financial statements for nine month ended September 30, 2012.

**The partner in Industrialization and Energy Services Company has decided to sell all Company's shares owned by him to the new partners against his entry to the National Aviation Ground Support with share capital of SR. 1,000,000 which Al-Ahsa Development Company owned 5,000 shares of the share capital as partner by 21% of the share capital of Saudi Ground Services Company amounted to SR. 886,869,100.

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12- Investments and Properties Participations

	2012	2011
A land at old Khurais road, Riyadh	**133,500,000**	133,500,000
A land at Sheikh Jaber road, Riyadh	**27,130,000**	27,130,000
Contribution fund of Real Estate development- Mada4	**10,100,000**	10,100,000
Tabuk land participation	**6,500,000**	6,500,000
	177,230,000	177,230,000

The old Khurais road land and Sheikh Jaber road land - Riyadh:

The Company have lands since December 2008 with a total area of 91,820.02 square meter equivalent to a cost of SR. 160,630,000, out of which 83,446.51 square meters located at old Khurais road and Ibrahim Al Burhan street in Riyadh and the remaining area amounted to 8,373.51 locate at Sheikh Jaber road. Alhsa Development company has accepted the lands mentioned herein in exchange for its share in E'maar Dere' Al-Arbi Company does not final legal procedure to authenticate the exchange of the lands' deed is in progress with Riyadh Municipal till date of these financial statement.

Contribution fund real estate development – Mada 4:

The Board of Directors of Al-Ahsa Development Company decided on 22 Jamada II, 1432H corresponding to May 25, 2011G the approval of the investment in Real Estate Development Fund-Mada 4 in Dammam. Through subscription by 10,000 unit SR. 1,000 each at total amount of SR. 10 million. The term of expected investment in this fund two year from the date of the contribution.

Tabuk land participation:

The Board of Directors decided on 6 Jumada I, 1429H corresponding to April 12, 2008G to participate with one of the establishment to purchase land in Tabuk city by SR. 6,500,000.

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13- Property and Equipment

	Buildings & constructions	Plant & machinery	Motor vehicles	Furniture & office equipments	Project under progress	Total
Cost						
Balance as of December 31, 2011	44,393,049	65,475,550	2,325,730	2,732,921	-	114,927,250
Additions	-	-	440,149	27,358	239,815	707,322
Deletions	-	-	-	(698,723)	-	(689,723)
Balance as of December 31, 2012	**44,393,049**	**65,475,550**	**2,765,879**	**2,061,556**	**239,815**	**114,935,849**
Accumulated depreciation						
Balance as of December 31, 2011	(21,344,364)	(23,960,449)	(2,325,730)	(2,364,760)	-	(49,995,303)
Charge for the year	(1,262,968)	(1,917,512)	(82,038)	(101,412)	-	(3,363,930)
Transfers	-	(3,024)	-	3,024	-	-
Deletions	-	-	-	698,723	-	698,723
Balance as of December 31, 2012	**(22,607,332)**	**(25,880,985)**	**(2,407,768)**	**(1,764,425)**	**-**	**52,660,510**
Book Value:						
As of December 31, 2012	**21,785,717**	**39,594,565**	**358,111**	**297,131**	**239,815**	**62,275,339**
As of December 31, 2011	23,048,685	41,515,101	-	368,161	-	64,931,947

- The property and equipment of the subsidiary Company (Saudi Japanese Textile Industry Company) are mortgaged as collateral for SIDF loan.

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14- Projects Under Study

	2012	2011
Aluminum factory project	**3,199,011**	3,199,011
Cement factory project	**1,075,357**	1,125,357
Gypsum factory project	**2,480,637**	990,537
Al-Khobar Hospital project	**587,500**	320,000
	7,342,505	5,634,905

The executive committee approved on Rajab 9, 1432H corresponding to June 11, 2011G to prepare feasibility study to AlKhobar Hospital project in the Eastern area, and it has engaged certain specialized consultant office in this field to execute it. The above projects are not effective yet and pending till obtaining the required licenses and approvals from government entities, the company's capitalized cost of project under study which is verification feasibility and board of directors decided to follow it.

15- SIDF Loan

The Company has obtained a loan from SIDF by SR. 72,470,000 to finance a portion of the property and equipment of the subsidiary company – Saudi Japanese Textile Industry Company Ltd.

On 22 Jumad II, 1428 H corresponding to July 8, 2007G the SIDF agreed to reschedule the loan to be payable in equal semi annual installments for twelve years starting the first installment on 15 Shawwal, 1432H corresponding to September 14, 2011G and the last installment on 15 Raba'a II, 1434H corresponding to February 26, 2014G, the details for the loan are as follows:

	2012	2011
SIDF loan	**67,970,000**	70,970,000
Current portion of long term loan	**(3,000,000)**	(3,000,000)
	64,970,000	67,970,000

The SIDF loan agreement is guaranteed as follows:

1- The Company undertakes to pay all the installments and follow up costs as per the agreement, including any future follow up fees identified later as per the followed procedures by SIDF regardless of the project's performance.
2- The Company undertakes not to distribute any dividends unless having prior written consent from SIDF.
3- The Company undertakes that in case of attaining a cash flows from operations exceeding the timetable of the due installments of commercial loans and SIDF loan and the working capital requirements and a reasonable portion of share capital expenditures in any financial year, to pay 50% of this increment to the due installments of the loan on descending order starting from 15 Rabi'I 1443H.
4- The Company undertakes that in case of any fail in repayment any installment or the due amount as per the agreement, subsequently SIDF will consider all dues under the agreement are fully accrued and that SIDF has the full discretion to take all legal measures in order to collect the due amounts fully and at once.

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16- Accrued Expenses and Accruals

	2012	2011
Accrued expenses on buying investment*	**4,000,000**	-
Excess of prospectus and dividends payable	**1,400,340**	2,909,569
Accruals of government entities	**746,608**	1,091,040
Employees utilities and salaries	**378,791**	413,692
Accrued expenses on services	**125,500**	145,000
Others	-	58,688
	6,651,239	4,617,989

*This amount represent a rest accrued amount of Company against buy additional shares in affiliated Companys of Al-Ahsa Food Industries Company and Al-Ahsa Medical Services Company amounting to SR. 1,000,0000 and 3,000,000 respectively.

17- Provision for Zakat

A) Adjusted income method:

	2012	2011
Net income before Zakat	**4,418,293**	3,386,452
Provision for end of service benefits	**257,810**	162,807
Inventory revaluation loss	-	4,848,100
Company's share of gain of affiliates	**(2,542,243)**	(1,226,350)
Net adjusted income	**2,133,860**	7,171,009

B) Zakat base of the Company is comprised of the followings:

	2012	2011
Share capital	**490,000,000**	490,000,000
Statutory reserve-beginning balance	**36,480,798**	36,467,477
Retained earning-beginning balance	**23,003,663**	22,842,242
Net adjusted income	**2,133,860**	7,171,009
Provision for end of service benefits	**612,749**	795,423
Provision for Zakat	**297,739**	-
Provision for obsolete and slow moving inventory	**1,639,097**	-
SIDF loan	**64,970,000**	67,970,000
Accounts payables and accruals	**4,411,307**	5,028,943
Prior year adjustments	**(4,305,255)**	41,533
	619,243,958	630,316,627
Less:		
Property and equipment, net	**(62,275,339)**	(64,931,947)
Investments	**(479,575,915)**	(429,620,070)
Projects under study	**(7,342,505)**	(5,634,905)
Zakat base (Equity method)	**70,050,199**	130,129,705
Zakat charge @ 2.5%	**1,751,255**	3,253,243

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17- Provision for Zakat (continued)

C) The movement in Zakat provision is as follows:

	2012	2011
Balance at the beginning of the year	**1,795,469**	18,542,226
Provided during the year	**1,751,255**	3,253,243
Payments during the year	**(1,497,730)**	(20,000,000)
Balance at the end of the year	**2,048,994**	1,795,469

D) Zakat status:
The Company has obtained final Zakat certificate from the DZIT for the year ending December 31,2011.

18- Share Capital

The Company's authorized and paid in share capital of SR. 490,000,000 is divided into 49,000,000 equity shares of SR. 10 each.

19- Statutory Reserve

In accordance with Saudi Arabian Companies Law and the Company's Article of Association, 10% of the annual net income is required to be transferred to statutory reserve until this reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

20- Gain from Investments

	2012	2011
Shares dividends received	-	4,952,500
Dividends received from investees	**6,320,206**	4,132,705
Gain from sale of securities*	**5,322,200**	-
Gain from sale of investments and properties participations	-	4,000,000
Company's share from affiliates gains	**2,542,243**	1,226,350
Miscellaneous	**131,149**	247,916
	14,315,798	14,559,471

* During the year, the Company has sold a portion of its investments in available-for-sale securities which were invested in Takween Advanced Industries Company which resulted in profit of SR. 5,322,200.

21- General and Administrative Expenses

	2012	2011
Salaries, wages and its benefits	**2,736,889**	2,813,232
Subscriptions, commissions and fees	**1,332,312**	754,077
Rent	**126,450**	109,138
Board of directors expenses and indemnity	**108,205**	166,355
Entertainment and public relations	**65,865**	190,680
Repair and maintenance	**48,912**	62,135
Utilities	**37,214**	34,177
Miscellaneous	**260,314**	143,249
	4,716,161	4,273,043

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22- Earning per Share

Earning per share were calculated based on the income for the year ended December 31, 2012 through dividing net income for the year on Company's outstanding shares amounted to 49,000,000 share.

23- Contingent Liabilities

Contingent liabilities on the company amounted to SR 4.5 million against loan guarantees to affiliates (SR. 4.5 million: 2011).

24- Legal Position

- There is a lawsuit filed against the Company by a third party, demanding an amount of SR. 24.5 million for the claims of providing consultancy services to the aluminum foil project, a project currently under study, in addition to that, it did not provide the work required as per the contract, the payment of any fees should be as per the contract text of premium only after increasing the capital of the Company that have not been achieved so far. The Company and the Company's legal consultant believe that the plaintiff doesn't deserve any fees and the lawsuit is currently pending in the court.

- A lawsuit filed by three former members of the Board of Directors against the Company demanding regardless Board of Directors' remuneration for the year 2009 and by SR. 250,000 for each member and approved by the twenty-first ordinary General Assembly session held on 20 Jumada I, 1431H corresponding to May 4, 2010G.

The Company's management has stopped the disbursement of the bonus after receiving a letter from the CMA includes the violation of the Company in that Assembly as stated in Article (43) of the Company's Article of association and Article (74) of the Saudi Companies regulations, the Company didn't commit to what was stated in the report of the Board of Directors and the regulations issued from the competent authorities, and approved the distribution of bonus to the members of the Board of Directors without a cash dividend to shareholders.

Based on the off bonus payment to members of the Board of Directors, the case was filed on the Company at the administrative court in Dammam, the administrative court's decision at Dammam has been issued on 13 Rajab, 1433H corresponding to June 3, 2012G which states to reject the case noting that this sentence is subject to appeal.

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25- Financial Instruments and Risk Management

Fair value
The carrying values for cash and cash at banks, accounts receivable, inventory, accounts payable and other receivables and payables are deemed to approximate their carrying amounts due to their short-term nature.
The company does not engage in derivative financial instruments to hedge against the variation of forging exchange and interest rate.

Interest rate risk
Is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company has no significant assets or liabilities bearing variable rate of interest as of December 31, 2012. The company manages the cash through monitoring the timing of the in-cash flows and cash out-flows and invest the excess cash in short term deposits. The interest rate on such deposits is insignificant.

Currency risk
It is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management monitors fluctuations in foreign currency exchange rates, and believes that the Company is not exposed to significant currency risk since the Company's functional currency is the Saudi Riyal, in which the Company transacts, which is currently fixed, within a narrow margin, against the U.S. dollar.

Credit risk
It is the risk that other parties will fail to discharge their obligations and cause the Company to incur a financial loss. Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash balances and accounts receivable. The Company does not consider itself exposed to a concentration of credit risk with respect to accounts receivable due to its diverse customer base operating in various industries and located in many regions.

Liquidity risk
It is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity is managed by periodically ensuring its availability in amounts sufficient to meet any future commitments. The Company does not consider itself exposed to significant risks in relation to liquidity.
The Company believes that it is not exposed to any significant risks in relation to the aforementioned.

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(Saudi Riyal)

26- Consolidated Income Statement for the three months and the year ended December 31.

	From October 1, till December 31		From January 1, till December 31	
	2012	2011	2012	2011
Gain from Investments	359,058	804,835	14,315,798	14,361,846
Unrealized profit from investments in available-for-sale securities	439,302	619,377	2,061,153	1,153,278
Gross profit	798,360	1,424,212	16,376,951	15,515,124
General and administrative expenses	(1,172,244)	(1,029,514)	(4,590,661)	(4,208,918)
Depreciation	(836,952)	(928,965)	(3,363,930)	(3,728,154)
Operating (loss) for the period/ income for the year	(1,210,836)	(534,267)	8,422,360	7,578,052
Impairment loss of investment's value in companies' share capital	(1,993,539)	-	(4,359,029)	-
Loss from inventory evaluation	-	(4,848,100)	-	(4,848,100)
Amortization of projects under study and deferred cost	-	(1,062,874)	-	(1,062,874)
Other income	79,117	30,000	1,099,664	1,619,982
Finance charges	(60,000)	-	(619,202)	-
Net (loss)for the period/income for the year before Zakat	(3,185,258)	(6,415,241)	4,543,793	3,287,060
Zakat charge	(439,630)	(1,537,253)	(1,883,243)	(2,137,253)
Net (loss)for the period/income for the year	(3,624,888)	(7,952,494)	2,660,550	1,149,807
Earnings per share from operating (loss) for the period/income for the year-Saudi Riyal	(0.02)	(0.01)	0.17	0.15
Earnings per share from net (loss) for the periodr/income for the year -Saudi Riyal	(0.07)	(0.16)	0.05	0.02

27- Consolidated Financial Statements Approval

The consolidated financial statements was approved by the Board of Directors on 6 Rabi' II, 1434H corresponding to February 16, 2013.

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