



## ASSOCIATED ACCOUNTANTS

Independent Member of Geneva Group International

### Review Report

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

We have reviewed the accompanying preliminary consolidated balance sheet of **Al-Ahsa Development Company (Joint Stock Company)** as of September 30, 2012, the related preliminary consolidated statements of income for the three and the nine months ended September 30, 2012 and cash flows for the period then ended and the notes from 1 to 10, which are an integral part of these preliminary consolidated financial statements, which were prepared by the Company's management and presented to us together with all of information and explanations, which we requested. These preliminary consolidated financial statements are the responsibility of the management.

We conducted our review in accordance with the preliminary financial reports review standard issued by the Saudi Organization of Certified Public Accountants "SOCPA". The review consist principally of applying analytical procedure to the financial data and making inquiries of persons responsible for accounting and financial matters. This review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, which is basically aims to express an opinion on the financial statements as whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying preliminary consolidated financial statements in order for them to be in conformity with generally accepted accounting standards applicable to the Company.

**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 completed till the issuance date of these preliminary consolidated financial statements, the Company does not consolidate the financial statements of Al-Ahsa Food Industries (the subsidiary Company) in these preliminary consolidated financial statements for the period then ended.

Date: October 3, 2012



Associated Accountants  
Independent Member of Geneva Group International

Hamud Ali Al-Rubian  
(License No. 222)

**Al-Ahsa Development Company**  
 (Joint Stock Company)  
**Preliminary Consolidated Balance Sheet (Unaudited)**  
**as of September 30, 2012**  
 (Saudi Riyal)

<u>Assets</u>	<u>Note</u>	<u>2012</u>	<u>2011</u>
<b>Current assets:</b>			
Cash and cash equivalent	2	39,875,063	91,878,069
Investments in trading securities	2	21,638,833	16,797,605
Accounts receivable, net	2	7,105,000	29,229,288
Inventory, net	2	10,381,188	-
Due from related party		2,981,931	2,090,115
Other receivables and prepayments	2	3,794,295	949,638
<b>Total current assets</b>		<b>85,776,310</b>	<b>140,944,715</b>
<b>Non-current assets:</b>			
Investments in available for sale securities	2	101,694,301	73,325,061
Investments in affiliates	2	41,794,083	31,251,840
Investments in companies' share capital	2	83,395,638	85,761,128
Investments and properties participations	2	177,230,000	177,230,000
Property and equipment, net	2	62,876,428	65,538,727
Projects under study	2	7,186,530	6,319,914
<b>Total non-current assets</b>		<b>474,176,980</b>	<b>439,426,670</b>
<b>Total Assets</b>		<b>559,953,290</b>	<b>580,371,385</b>
<b><u>Liabilities and Shareholders' Equity</u></b>			
<b>Current liabilities:</b>			
Accounts payable		1,954,960	2,192,557
Long term loan-current portion	2	3,000,000	3,000,000
Other payables and accruals	2	4,251,901	7,380,975
Provision for Zakat	2	1,741,352	19,142,226
<b>Total current liabilities</b>		<b>10,948,213</b>	<b>31,715,758</b>
<b>Non-current liabilities:</b>			
SIDF loan	2	64,970,000	67,970,000
Provision for end of service benefits	2	1,116,821	1,105,681
<b>Total non-current liabilities</b>		<b>66,086,821</b>	<b>69,075,681</b>
<b>Total liabilities</b>		<b>77,035,034</b>	<b>100,791,439</b>
<b>Shareholders' equity:</b>			
Share capital		490,000,000	490,000,000
Statutory reserve		36,480,798	36,467,477
Retained earnings		24,779,940	31,764,511
Unrealized loss from investments in available-for-sale securities		(68,342,482)	(78,652,042)
<b>Total shareholders' equity</b>		<b>482,918,256</b>	<b>479,579,946</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>559,953,290</b>	<b>580,371,385</b>

The accompanying notes from 1 to 10 are an integral part of these preliminary consolidated financial statements





**Al-Ahsa Development Company**  
 ( Joint Stock Company)  
**Preliminary Consolidated Statement of Income (Unaudited)**  
**for the three and the nine months ended September 30, 2012**  
 (Saudi Riyal)

	Note	From April 1, till June 30		From January 1, till September 30	
		2012	2011	2012	2011
Gain from Investments	4	391,123	4,539,431	13,958,245	13,557,011
Unrealized profit/(loss) from investments in available-for- sale securities		532,741	(945,393)	1,621,851	533,901
Gross profit		923,864	3,594,038	15,580,096	14,090,912
General and administrative expenses		(888,835)	(1,077,688)	(3,418,417)	(3,179,404)
Depreciation		(842,979)	(928,252)	(2,526,978)	(2,799,189)
Operating (loss)/ income		(807,950)	1,588,098	9,634,701	8,112,319
Impairment loss of investment's value in companies' share capital		-	-	(2,365,490)	-
Other income		143,166	42,250	1,020,547	1,589,982
Finance charges		(386,200)	-	(559,202)	-
Net (loss)/income before Zakat		(1,050,984)	1,630,348	7,730,556	9,702,301
Zakat charge		(400,000)	(200,000)	(1,443,613)	(600,000)
<b>Net (loss)/income for the period</b>		<b>(1,450,984)</b>	<b>1,430,348</b>	<b>6,286,943</b>	<b>9,102,301</b>
Earnings per share from operating (loss)/income-Saudi Riyal	5	<u>(0.02)</u>	<u>0.03</u>	<u>0.20</u>	<u>0.17</u>
Earnings per share from net (loss)/ income for the period- Saudi Riyal	5	<u>(0.03)</u>	<u>0.03</u>	<u>0.13</u>	<u>0.19</u>



The accompanying notes from 1 to 10 are an integral part of these preliminary consolidated financial statements

**Al-Ahsa Development Company**  
 (Joint Stock Company)  
**Preliminary Consolidated Statement of Cash Flows (Unaudited)**  
**for the nine months ended September 30, 2012**  
 (Saudi Riyal)

<b>Cash Flows From Operating Activities:</b>	<b>2012</b>	<b>2011</b>
Net income for the period	6,286,943	9,102,301
Adjustment to reconcile net income to net cash flows (used in)/provided by operating activities:		
Depreciation	2,526,978	2,799,189
Gain from revaluation of investments in trading securities	(1,621,851)	(533,901)
Dividends received and gain from investments	(5,986,873)	(4,952,500)
Company's share in gain from affiliate	(2,542,243)	(1,226,350)
Impairment loss of investment's value in companies' share capital	2,365,490	-
Provision for end of service benefits	215,822	138,686
Provision for Zakat	1,443,613	600,000
Prior year adjustments	(4,510,666)	(180,033)
	<u>(1,822,787)</u>	<u>5,747,392</u>
Changes in the components of working capital:		
Accounts receivable	6,895,000	74,290,136
Due from in related party	(859,368)	(690,135)
Other receivables and prepayments	(2,904,736)	(360,312)
Accounts payable	(164,414)	(61,812)
Other payables and accruals	(366,088)	(4,350,745)
End of service benefits paid	(220,038)	(747,825)
Zakat paid	(1,497,730)	-
Net cash flows (used in)/provided by operating activities	<u>(940,161)</u>	<u>73,826,699</u>
<b>Cash Flows From Investing Activities:</b>		
Acquisition of property and equipment	(471,459)	(11,868)
Net change in investments in trading securities	(2,600,000)	39,382,000
Net change in investment in available for sale securities	(18,059,681)	-
Net change in investments in companies' share capital and properties participations	(2,013,127)	(100,000)
Additions to projects under study	(1,551,625)	(452,406)
Net cash flows (used in)/provided by investing activities	<u>(24,695,892)</u>	<u>38,817,726</u>
<b>Cash Flows From Financing Activities:</b>		
Repayment of long-term loan	(3,000,000)	(36,713,595)
Cash flows used in financing activities	<u>(3,000,000)</u>	<u>(36,713,595)</u>
<b>Net cash (used)/generated during the period</b>	<b>(28,636,053)</b>	<b>75,930,830</b>
Cash and cash equivalents at the beginning of the period	68,511,116	15,947,239
<b>Cash and cash equivalents at the end of the period</b>	<u><b>39,875,063</b></u>	<u><b>91,878,069</b></u>

The accompanying notes from 1 to 10 are an integral part of these preliminary consolidated financial statements



## **Al-Ahsa Development Company**

(Joint Stock Company)

### **Notes to the Preliminary Consolidated Financial Statements for the nine months ended September 30, 2012**

#### **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 4<sup>th</sup> 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 5<sup>th</sup> 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 6<sup>th</sup> 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, 2010G 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.



**Al-Ahsa Development Company**

(Joint Stock Company)

**Notes to the Preliminary Consolidated Financial Statements  
for the nine months ended September 30, 2012**

**2- Significant Accounting Policies**

The accompanying Preliminary 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 Preliminary consolidated financial statements are as follows:

**Using of estimates:**

The preparation of the preliminary 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 Preliminary consolidated financial statements.

**Basis of consolidation:**

The Preliminary 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 Preliminary 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 Preliminary 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 Sept. 30	
		2011	2010
Saudi Japanese Textile Industry Company Ltd.	Saudi Arabia	100%	100%



**Al-Ahsa Development Company**  
(Joint Stock Company)  
**Notes to the Preliminary Consolidated Financial Statements**  
**for the nine months ended September 30, 2012**

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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 Preliminary 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 Preliminary 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 Preliminary 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 Preliminary consolidated income statement, discharging of impairment losses in available for sale of financial assets are equity instrument directly to consolidated shareholders' equity.



**Al-Ahsa Development Company**  
(Joint Stock Company)  
**Notes to the Preliminary Consolidated Financial Statements**  
**for the nine months ended September 30, 2012**

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**2- Significant Accounting Policies (continued)**

**Impairment of assets (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 Preliminary 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 Preliminary 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 Preliminary consolidated balance statement, the unrealized gains and losses are recognized in an independent item at Preliminary consolidated shareholders' equity.

**Investments in affiliates:**

The Preliminary 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.





**Al-Ahsa Development Company**  
(Joint Stock Company)  
**Notes to the Preliminary Consolidated Financial Statements**  
**for the nine months ended September 30, 2012**

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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 Preliminary 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%
Travel and transportation vehicles	25%
Furniture and office tools	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 postponed 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.

**Borrowings:**

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.



**Al-Ahsa Development Company**  
(Joint Stock Company)  
**Notes to the Preliminary Consolidated Financial Statements**  
**for the nine months ended September 30, 2012**

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**2- Significant Accounting Policies (continued)**

**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.

**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.

**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 133,279,097 (SR. 125,031,648 :2011) exceeded 50% of its share capital amounting to the SR. 70 million. Current liabilities of the subsidiary exceeded its current assets by SR. 79,285,460 (SR. 71,674,605 :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.



## Al-Ahsa Development Company

(Joint Stock Company)

### Notes to the Preliminary Consolidated Financial Statements

for the nine months ended September 30, 2012

#### 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 through December 2011 and it's expected to finish these procedures through the financial year 2012.

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 slected 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.

##### B-Al-Ahsa 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 during 2012.

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 financial statements for the year ended June 30, 2012.

The following is a summary for the unaudited balance sheet and income statement for Al-Ahsa Food Industries Company as of September 30:



**Al-Ahsa Development Company**  
 (Joint Stock Company)  
**Notes to the Preliminary Consolidated Financial Statements**  
**for the nine months ended September 30, 2012**  
 (Saudi Riyal)

**3- Subsidiary Companies (continued)**

**B- AlAhsa Food Industries Company (continued):**

**Balance sheet as of September 30:**

	2012	2011
Current assets	3,196,852	4,021,231
Non-current assets	3,289,160	5,044,714
<b>Total Assets</b>	<b>6,486,012</b>	<b>9,065,945</b>
Current liabilities	2,481,998	4,536,589
Non-current liabilities	472,972	453,969
Partners' equity, net	3,531,042	4,075,387
<b>Total Liabilities and Partners' Equity</b>	<b>6,486,012</b>	<b>9,065,945</b>

**Statement of income for the three and the nine months ended September 30:**

	From July 1, till September 30		From January 1, till September 30	
	2012	2011	2012	2011
Sales	1,482,490	1,497,689	4,100,746	3,286,057
Cost of sales	(1,137,554)	(1,188,010)	(2,944,742)	(3,944,337)
Depreciation	(191,073)	(189,452)	(1,103,120)	(1,743,506)
Gross profit/(loss)	153,863	120,227	52,884	(2,401,786)
Selling and administrative expenses	(573,149)	(427,531)	(1,217,916)	(826,972)
Operating loss	(419,286)	(307,304)	(1,165,032)	(3,228,758)
Other income	8,426	17,431	133,225	299,421
Finance charges	-	(33,921)	(8,853)	(24,070)
<b>Net loss for the period</b>	<b>(410,860)</b>	<b>(323,794)</b>	<b>(1,040,660)</b>	<b>(2,953,407)</b>

**4- Gain from Investments**

	From July 1, till September 30		From January 1, till September 30	
	2012	2011	2012	2011
Shares dividends received	-	-	-	3,952,500
Dividends received from investees	333,333	481,552	5,986,873	4,206,497
Gain from sale of securities *	-	-	5,322,200	-
Company's share of gain from affiliate	-	-	2,542,243	1,226,350
Gain from sale of investments and properties participations	-	4,000,000	-	4,000,000
Miscellaneous	57,790	57,879	106,930	171,664
	<b>391,123</b>	<b>4,539,431</b>	<b>13,958,246</b>	<b>13,557,011</b>

\* During the period, 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.



**Al-Ahsa Development Company**

( Joint Stock Company)

**Notes to the Preliminary Consolidated Financial Statements  
for the nine months ended September 30, 2012**

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**5 - Earning per Share (EPS)**

Earning per share were calculated based on the income for the period ended September 30, 2012 by dividing net income for the period on Company's outstanding shares which amounted to 49,000,000 share.

**6 - Contingent Liabilities**

Contingent liabilities of the Company as of September 30, 2012 amounted to (SR.4.5) million against guarantees for granted loans to affiliates (SR. 5.2 million: September 30, 2011).

**7 - Preliminary Results for the Period**

The preliminary results for the nine months ended September 30, 2012 will not represent an accurate indicator to the actual results of the year as whole .

**8 - Comparative Figures**

Certain prior period figures have been reclassified to conform with the current period presentation.

**9 - Subsequent Events**

The Board of Directors of Al-Ahsa Development Company agreed on 15 Dhul Qa'ada, 1433H corresponding October 1, 2012G on signing a memorandum of understanding with one of the partners in Al-Ahsa Medical Services Company - Affiliate Company (Limited Liability Company) to negotiate about Al-Ahsa Development Company in buying one of the partner's share in Al-Ahsa Medical Services and the fair value was determined by what is agreed upon between the parties and to complete this process systematically according to the laws and regulations adopted in the Kingdom of Saudi Arabia during a maximum period of October 30, 2012.

**10- Judicial Status**

- 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.

