

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

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND**  
**AUDITORS' REPORT (LIMITED REVIEW)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED**  
**SEPTEMBER 30, 2013**

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

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND AUDITORS' REPORT**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2013**

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

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

### Scope of Review

We have reviewed the consolidated interim balance sheet of Al-Ahsa Development Company ("the Company"), a Saudi Joint Stock Company, and its subsidiaries (note 1) ("the Group") as of September 30, 2013 and the related consolidated interim statement of income for the three months and nine months then ended, consolidated interim statements of stockholders' equity and cash flows for the nine months then ended, and notes 1 to 7 which form an integral part of these consolidated interim financial statements as prepared by the Company and presented to us with all the necessary information and explanations. These consolidated interim financial statements are the responsibility of the Company's management.

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

### Observations

1. Inventory at September 30, 2013 includes textile inventory of Saudi Japanese Textile Industry, a subsidiary, with a net book value of SR 10,379,785. As this subsidiary ceased production in 2007, the textile inventory is non moving. We were unable to determine at this stage the realizable value of the above inventory.
2. The consolidated interim statement of stockholders' equity includes unrealized losses from investments in available for sale securities. Within this balance of unrealized losses an amount of SR 55,887,339 represents a permanent decline in the value of these investments and therefore this decline should have been taken to the consolidated interim statement of income in the year the permanent decline occurred.
3. Accounts receivable at September 30, 2013 includes overdue outstanding balances amounting to SR 7,000,000 and prepayments and other debit balances at September 30, 2013 include long outstanding balances amounting to SR 2,794,713. Additionally, projects under study at September 30, 2013 include certain projects with a carrying value amounting to SR 6,231,863 which have been carried in the balance sheet for a long period. We were unable to determine at this stage the recoverability of these amounts or the future benefit of these projects.



## Conclusion

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

## Other Matters

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

Deloitte & Touche  
Bakr Abulkhair & Co.

Nasser M. Al-Sagga  
License No. 322  
19 Dhu al-Hijjah, 1434  
October 24, 2013



**AL-AHSA DEVELOPMENT COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**CONSOLIDATED INTERIM BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2013**

	2013 SR (Un-audited)	2012 SR (Un-audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	10,202,729	39,875,063
Investments in trading securities	27,261,370	21,638,833
Accounts receivable, net	7,872,523	7,105,000
Inventory, net	13,567,947	10,381,188
Due from related parties	-	2,981,931
Prepayments and other debit balances	4,371,704	3,794,295
<b>Total current assets</b>	<b>63,276,273</b>	<b>85,776,310</b>
<b>Non-current assets</b>		
Investments in available for sale securities	125,496,440	101,694,301
Investments in associates	54,908,283	41,794,083
Investments in companies' share capital	81,402,099	83,395,638
Investments in lands and real estate fund	177,230,000	177,230,000
Property and equipment, net	62,888,169	62,876,428
Goodwill	6,010,587	-
Projects under study	7,899,357	7,186,530
<b>Total non-current assets</b>	<b>515,834,935</b>	<b>474,176,980</b>
<b>TOTAL ASSETS</b>	<b>579,111,208</b>	<b>559,953,290</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	3,278,016	1,954,960
Long term loan - current portion	3,500,000	3,000,000
Accruals and other credit balances	2,373,027	4,251,901
Provision for zakat	1,505,114	1,741,352
<b>Total current liabilities</b>	<b>10,656,157</b>	<b>10,948,213</b>
<b>Non-current liabilities</b>		
Long term loan	61,470,000	64,970,000
End-of-service indemnities	851,161	1,116,821
<b>Total non-current liabilities</b>	<b>62,321,161</b>	<b>66,086,821</b>
<b>Stockholders' equity</b>		
Share capital	490,000,000	490,000,000
Statutory reserve	37,277,875	36,480,798
Retained earnings	25,872,096	24,779,940
Unrealized loss from investments in available for sale securities	(47,016,081)	(68,342,482)
<b>Total stockholders' equity</b>	<b>506,133,890</b>	<b>482,918,256</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>579,111,208</b>	<b>559,953,290</b>

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



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

**CONSOLIDATED INTERIM STATEMENT OF INCOME**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2013**

Note	From July 1 to September 30		From January 1 to September 30	
	2013 SR	2012 SR	2013 SR	2012 SR
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Gain from investments, net	3,615,742	923,863	12,284,223	15,580,096
Sales	1,131,052	-	4,827,774	-
<b>Total revenue</b>	<b>4,746,794</b>	<b>923,863</b>	<b>17,111,997</b>	<b>15,580,096</b>
Cost of sales	(1,191,956)	-	(3,898,262)	-
<b>Gross profit</b>	<b>3,554,838</b>	<b>923,863</b>	<b>13,213,735</b>	<b>15,580,096</b>
General and administration expenses	(2,339,295)	(1,621,199)	(6,913,072)	(5,945,395)
<b>Operating income (loss)</b>	<b>1,215,543</b>	<b>(697,336)</b>	<b>6,300,663</b>	<b>9,634,701</b>
Loss from impairment of investment in companies' share capital	-	-	-	(2,365,490)
Other income	206,464	143,166	582,964	1,020,547
Finance charges, net	(253,000)	(453,202)	(679,900)	(559,202)
<b>Net income (loss) before zakat</b>	<b>1,169,007</b>	<b>(1,007,372)</b>	<b>6,203,727</b>	<b>7,730,556</b>
Zakat	-	(443,613)	(900,000)	(1,443,613)
<b>NET INCOME (LOSS)</b>	<b>1,169,007</b>	<b>(1,450,985)</b>	<b>5,303,727</b>	<b>6,286,943</b>
<b>Earnings (loss) per share</b>	4			
Earnings (loss) per share from operating income (loss)	0.02	(0.01)	0.13	0.20
Earnings (loss) per share from net income (loss)	0.02	(0.03)	0.11	0.13
Weighted average number of shares	49,000,000	49,000,000	49,000,000	49,000,000






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

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

**CONSOLIDATED INTERIM STATEMENT OF STOCKHOLDERS' EQUITY**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

	Share capital SR	Statutory reserve SR	Retained earnings SR	Unrealized losses from investments in available-for- sale securities SR	Total SR
January 1, 2012 (Audited)	490,000,000	36,480,798	23,003,663	(80,122,612)	469,361,849
Net income for the period	-	-	6,286,943	-	6,286,943
Prior years adjustments	-	-	(4,510,666)	-	(4,510,666)
Change in fair value	-	-	-	11,780,130	11,780,130
September 30, 2012 (Un-audited)	490,000,000	36,480,798	24,779,940	(68,342,482)	482,918,256
January 1, 2013 (Audited)	490,000,000	36,747,502	21,098,742	(64,184,636)	483,661,608
Net income for the period	-	-	5,303,727	-	5,303,727
Transfer to statutory reserve	-	530,373	(530,373)	-	-
Change in fair value	-	-	-	17,168,555	17,168,555
September 30, 2013 (Un-audited)	490,000,000	37,277,875	25,872,096	(47,016,081)	506,133,890

*[Handwritten signatures in blue ink]*



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

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

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

	2013 SR	2012 SR
	(Un-audited)	(Un-audited)
<b>OPERATING ACTIVITIES</b>		
Net income before zakat	6,203,727	7,730,556
Adjustments for:		
Depreciation	2,983,950	2,526,978
Gain from revaluation of investments in trading securities	(5,183,236)	(1,621,851)
Gain on disposal of property and equipment	(27,000)	-
Dividends received and gain from investments	(8,490,259)	(5,986,873)
Company's share in net loss (income) from associate	1,389,272	(2,542,243)
Loss from impairment of investment in companies' share capital	-	2,365,490
Prior years adjustments	-	(4,510,666)
End-of-service indemnities	241,423	215,822
Changes in operating assets and liabilities:		
Accounts receivable, net	(394,594)	6,895,000
Inventory, net	(191,783)	-
Due from/to related parties, net	(44,000)	(859,368)
Prepayments and other debit balances	(651,953)	(2,904,736)
Accounts payable	62,177	(164,414)
Accruals and other credit balances	(4,418,978)	(366,088)
Cash (used in) from operations	(8,521,254)	777,607
End-of-service indemnities paid	(737,097)	(220,038)
Zakat paid	(2,255,510)	(1,497,730)
<b>Net cash used in operating activities</b>	<b>(11,513,861)</b>	<b>(940,161)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(414,459)	(471,459)
Proceeds from disposal from property and equipment	121,375	-
Dividend income received	8,490,259	-
Net change in investments in trading securities	-	(2,600,000)
Net change in investments in available for sale securities	-	(18,059,681)
Net change in investments in companies' share capital and lands and real estate fund	-	(2,013,127)
Additions to projects under study	(556,852)	(1,551,625)
<b>Net cash from (used in) investing activities</b>	<b>7,640,323</b>	<b>(24,695,892)</b>





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

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (Continued)**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

	2013 SR (Un-audited)	2012 SR (Un-audited)
<b>FINANCING ACTIVITIES</b>		
Repayment of long term loan	(3,000,000)	(3,000,000)
<b>Net cash used in financing activities</b>	<b>(3,000,000)</b>	<b>(3,000,000)</b>
<b>Net change in cash and cash equivalents</b>	<b>(6,873,538)</b>	<b>(28,636,053)</b>
Cash and cash equivalents, January 1	16,564,391	68,511,116
Cash and cash equivalents transferred (note 1)	511,876	-
<b>CASH AND CASH EQUIVALENTS, SEPTEMBER 30</b>	<b>10,202,729</b>	<b>39,875,063</b>

**Non-cash transaction:**

Net assets (excluding cash) transferred from acquired subsidiary (note 1)

2,143,440



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

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

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

**1. ORGANIZATION AND ACTIVITIES**

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

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

The share capital of the Company is SR 490 million divided into 49 million shares of SR 10 each as of September 30, 2013 and 2012.

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

The accompanying consolidated interim financial statements include the following companies:

- Saudi Japanese Textile Industry Company
- Al-Ahsa Food Industries Company

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

**Saudi Japanese Textile Industry Company**

Saudi Japanese Textile Industry Company, incorporated in the Kingdom of Saudi Arabia, ceased production in 2007 and the commercial registration has not been renewed, no statutory financial statements have been issued since 2007 and the articles of association have not been updated to reflect the Company's shareholding.

As of September 30, 2013, the accumulated losses of Saudi Japanese Textile Industry Company amounted to SR 157,846,095 (September 30 2012: SR 154,198,044), which exceeded 50% of its share capital amounting to the SR. 70 million. As per Article No. 180 of the Company's Regulations, the stockholders have to decide whether to continue the operations and support or liquidate the subsidiary. Accordingly, Al-Ahsa Development Company's Board of Directors decided on 19 Muharram 1427H corresponding to 18 February 2006 to continue the activities of the subsidiary and provide the required financial support in order to pay its obligations when due.

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

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



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

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

The Company has signed on December 28, 2011 a memorandum of understanding with an Indonesian Company, which is a leader in the manufacture of textiles, with the aim of re-commencing operation of the factory. The original duration of this memorandum of understanding was up to August 30, 2012. The Board of Directors approved on 29 Shawal, 1433 corresponding to September 16, 2012 to extend the memorandum of understanding for an additional four months to December 31, 2012. The Indonesian Company has completed the preparation of a work plan and draft of management and operating contracts for the factory, which is under review by the Company's management.

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

**Al-Ahsa Food Industries Company**

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

Previously, the Company already had a 50% shareholding in Al-Ahsa Food Industries Company and equity accounted this investment.

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

Details of net assets transferred are as follows:

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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**الأحساء للتنمية**  
**AL-AHSA DEVELOPMENT**

شركة الأحساء للتنمية  
Al-Ahsa Development Company

سجل تجاري: 2252021816

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

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

**Principles of consolidation**

The consolidated interim financial statements incorporate the interim financial statements of the Company and entities controlled by the Company prepared as of September 30, 2013. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. All significant intercompany transactions and balances between the Company and its subsidiaries have been eliminated in preparing the consolidated interim financial statements.

**Accounting convention**

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

**Use of estimates**

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

**Cash and cash equivalents**

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

**Accounts receivable**

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

**Inventory**

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

**Property and equipment**

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

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



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

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

**Impairment**

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

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

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

**Investments held for trading**

Trading investments are stated at fair value and unrealized gains and losses thereon are included in the consolidated interim statement of income.

**Available for sale investments**

Available for sale investments are stated at fair value, and unrealized gains and losses thereon are included in consolidated interim statement of stockholders' equity.

**Investments in associates**

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

**Investments in companies' share capital**

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

**Investments in lands and real estate fund**

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

**Goodwill**

Goodwill arising from the investment in subsidiaries represents the excess of the cost of acquisition over the Company's interest in the fair value of the net assets at the date of acquisition. Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.



**AL-AHSA DEVELOPMENT COMPANY**  
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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2013**

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

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

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

**Projects under study**

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

**Accounts payable and accruals**

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

**Zakat**

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

**End-of-service indemnities**

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

**Provision for obligations**

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

**Statutory reserve**

In accordance with Regulations for Companies in Saudi Arabia and the Company's articles of association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

**Foreign currency translation**

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



15/10/13

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

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

**Sales recognition**

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

**General and administrative expenses**

General and administrative expenses include 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.

**Leasing**

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**Segmental reporting**

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

**3. BUSINESS SEGMENTS**

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

	Textiles SR	Food SR	Investments SR	Total SR
<b>2013</b>				
<b>For the nine months ended September 30 (un-audited)</b>				
Sales and revenue	-	4,827,774	12,284,223	17,111,997
Operating income (loss)	(2,774,835)	28,063	9,047,435	6,300,663
<b>As of September 30 (un-audited)</b>				
Property, plant and equipment	59,110,245	3,061,120	716,804	62,888,169
Total assets	70,080,664	7,374,281	501,656,263	579,111,208
Total liabilities	67,831,374	2,328,434	2,817,510	72,977,318

**4. EARNINGS (LOSS) PER SHARE**

Earnings (loss) per share from net income (loss) are computed by dividing net income (loss) for the period by the weighted average number of shares outstanding during the period. The outstanding number of shares at September 30, 2013 and 2012 was 49 million shares.

Earnings (loss) per share from continuing main operations are computed by dividing operating income (loss) for the period by the weighted average number of shares outstanding during the period.

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

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

**5. PROPERTY AND EQUIPMENT**

Property and equipment at September 30, 2013 includes machinery of Saudi Japanese Textile Industry Company, a subsidiary, with a net book value of SR 59,110,245. This subsidiary ceased production in 2007 and therefore the subsidiary's machinery has not been operating since then and hence there is an indication that this machinery may be impaired. Prior to period end, management had appointed an independent asset valuator to assess the value of machinery of Saudi Japanese Textile Industry Company, report of whom indicated that the fair value for such machinery and equipment is in excess of its net book value.

**6. CONTINGENCIES AND COMMITMENTS**

**a) Legal proceedings**

- A lawsuit was filed against the Company by a third party, claiming an amount of SR 24.5 million in fees for providing consultancy services to the aluminum factory project, a project currently under study. The case was filed against the Company in the General court in Riyadh, and the General court's decision was issued in Riyadh on 19 shawwal 1434H corresponding to August 26, 2013 rejecting the case, the decision is however subject to appeal.
- A lawsuit was filed by three former members of the Board of Directors against the Company demanding Board of Directors' remuneration for the year 2009 in the sum of SR 250,000 for each member on the basis that this was approved by the General Assembly held on 20 Jumada I, 1431 H corresponding to May 4, 2010.

The management of the Company stopped the disbursement of the bonus after receiving a letter from the CMA stating that it was in violation of the Company Articles of Association and Article (74) of the Saudi Regulations for Companies as the Company approved the distribution of bonus to the members of the Board of Directors without a cash dividend to stockholders.

The case was filed against the Company in the administrative court in Dammam, and the administrative court's decision was issued in Dammam on 13 Rajab 1433H corresponding to June 3, 2012 rejecting the case, but it noted that this decision is subject to appeal.

- The Company filed a lawsuit against Emaar Al-Der'a Al-Arabi Investment Company requiring the defendant to transfer the ownership of certain plots of lands located at Sheikh Jaber Road in Riyadh, as ownership of these plots was supposed to be transferred to the Company in 2008 based on a contract with the same company. The value of the land amounts to SR 27.1 million. The Company's management believes the outcome of this case will be in their favour.

**b) Contingent liabilities**

Contingent liabilities of the Company as of September 30, 2013 amounted to SR nil million against guarantees for loans granted to associates (September 30, 2012: SR 5 million).

**7. RESULTS OF INTERIM PERIOD**

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

