

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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND
AUDITORS' REPORT (LIMITED REVIEW)
FOR THE THREE MONTHS AND YEAR ENDED
DECEMBER 31, 2013

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

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 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 December 31, 2013 and the related consolidated interim statement of income for the three months and year then ended, consolidated interim statements of stockholders' equity and cash flows for the year then ended, and notes 1 to 8 which form an integral part of these consolidated interim financial statements as prepared by the Company and presented to us with all the necessary information and explanations. These consolidated interim financial statements are the responsibility of the Company's management.

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. Investments in lands and real estate fund include the plots of land at old Kurais Road in Riyadh and Sheikh Jaber Road, Riyadh with a carrying value of SR 133,500,000 and SR 27,130,000 respectively along with Tabuk land participation with a carrying value of SR 6,500,000. We were unable to obtain sufficient supporting documentation to determine the fair value of these plots of land.
2. Accounts receivable at December 31, 2013 includes overdue outstanding balance amounting to SR 7,000,000. We were unable to obtain sufficient documentation to support the collectability of this amount.


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 Rabi' I, 1435
January 20, 2014



AL-AHSA DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED INTERIM BALANCE SHEET
AS OF DECEMBER 31, 2013

	2013 SR (Un-audited)	2012 SR Restated (Note 7) (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	7,569,855	16,564,391
Investments in trading securities	151,901,609	22,078,134
Accounts receivable, net	8,153,335	7,029,987
Inventory, net	11,118,564	10,381,188
Due from related parties	-	1,885,966
Prepayments and other debit balances	7,606,370	3,627,452
Total current assets	186,349,733	61,567,118
Non-current assets		
Investments in available for sale securities	22,574,987	108,327,885
Investments in associates	61,286,677	65,031,295
Investments in companies' share capital	81,402,099	81,402,099
Investments in lands and real estate fund	177,230,000	177,230,000
Property and equipment, net	62,236,314	62,275,339
Goodwill	6,010,590	-
Projects under study	4,676,846	7,342,505
Total non-current assets	415,417,513	501,609,123
TOTAL ASSETS	601,767,246	563,176,241
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	3,128,674	1,973,841
Long term loan - current portion	3,500,000	3,000,000
Accruals and other credit balances	3,196,664	6,651,239
Provision for zakat	5,000,000	2,048,994
Total current liabilities	14,825,338	13,674,074
Non-current liabilities		
Long term loan	61,470,000	64,970,000
End-of-service indemnities	852,250	870,559
Total non-current liabilities	62,322,250	65,840,559
Stockholders' equity		
Share capital	490,000,000	490,000,000
Statutory reserve	31,236,883	31,236,883
Accumulated losses	(1,132,532)	(17,152,392)
Unrealized gain (losses) from investments in available for sale securities	4,515,307	(20,422,883)
Total stockholders' equity	524,619,658	483,661,608
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	601,767,246	563,176,241

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



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

CONSOLIDATED INTERIM STATEMENT OF INCOME
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2013

	Note	Three months ended December 31		Year ended December 31	
		2013 SR (Un-audited)	2012 SR (Un-audited)	2013 SR (Un-audited)	2012 SR (Audited)
Gain from investments, net		24,918,103	796,855	37,202,326	16,376,951
Sales		1,649,576	-	6,477,350	-
Total revenue	3	26,567,679	796,855	43,679,676	16,376,951
Cost of sales		(1,928,816)	-	(5,827,078)	-
Gross profit		24,638,863	796,855	37,852,598	16,376,951
General and administration expenses		(10,659,553)	(2,134,696)	(17,572,625)	(8,080,091)
Operating income (loss)	3	13,979,310	(1,337,841)	20,279,973	8,296,860
Loss from impairment of investment in companies' share capital		-	(1,993,539)	-	(4,359,029)
Other income		333,795	79,117	916,759	1,099,664
Finance charges		-	(60,000)	(679,900)	(619,202)
Net income (loss) before zakat		14,313,105	(3,312,263)	20,516,832	4,418,293
Zakat		(3,596,972)	(307,642)	(4,496,972)	(1,751,255)
NET INCOME (LOSS)		10,716,133	(3,619,905)	16,019,860	2,667,038
Earnings (loss) per share	4				
Earnings (loss) per share from operating income (loss)		0.29	(0.03)	0.41	0.17
Earnings (loss) per share from net income (loss)		0.22	(0.07)	0.33	0.05
Weighted average number of shares		49,000,000	49,000,000	49,000,000	49,000,000



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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 YEAR ENDED DECEMBER 31, 2013

	Share capital SR	Statutory reserve SR	Retained earnings (accumulated losses) SR	Unrealized (losses) gain from investments in available-for- sale securities SR	Total SR
January 1, 2012 (audited) before restatement	490,000,000	36,480,798	23,003,663	(80,122,612)	469,361,849
Prior year adjustments, impairment of available for sale securities (note 7)	-	-	(43,761,753)	43,761,753	-
Adjustment to statutory reserve (note 7)	-	(5,243,915)	5,243,915	-	-
January 1, 2012 - restated	490,000,000	31,236,883	(15,514,175)	(36,360,859)	469,361,849
Net income for the year	-	-	2,667,038	-	2,667,038
Prior years adjustments	-	-	(4,305,255)	-	(4,305,255)
Change in fair value	-	-	-	15,937,976	15,937,976
December 31, 2012 - restated	490,000,000	31,236,883	(17,152,392)	(20,422,883)	483,661,608
Net income for the year	-	-	16,019,860	-	16,019,860
Change in fair value	-	-	-	24,938,190	24,938,190
December 31, 2013 (Un-audited)	490,000,000	31,236,883	(1,132,532)	4,515,307	524,619,658



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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 YEAR ENDED DECEMBER 31, 2013

	2013 SR	2012 SR
	(Un-audited)	(Audited)
OPERATING ACTIVITIES		
Net income before zakat	20,516,832	4,418,293
Adjustments for:		
Depreciation	4,034,329	3,363,930
Gain from revaluation of investments in trading securities	(13,571,142)	(2,061,153)
Unrealized gain on transfer from Investments in available for sale securities to Investments in trading securities	(3,519,331)	-
Gain on disposal of property and equipment	(139,700)	-
Dividends received and gain from investments	(13,022,635)	(6,320,206)
Gain from sale of trading securities	(2,350,392)	-
Loss from impairment of investment in companies' share capital	-	4,359,029
Provision for projects under study	3,199,011	-
Company's share in net income from associate	(4,921,288)	(2,542,243)
Loss from inventory evaluation and provision for obsolete and slow moving inventory	3,577,360	-
End-of-service indemnities	369,215	257,810
Prior years adjustments	-	(4,305,255)
Changes in operating assets and liabilities:		
Accounts receivable, net	(675,406)	6,970,013
Due from/to related parties, net	(44,000)	236,597
Inventory, net	(1,319,760)	-
Prepayments and other debit balances	304,017	(2,737,893)
Accounts payable	(87,165)	(145,533)
Accruals and other credit balances	(3,595,341)	2,033,250
Cash (used in) from operations	(11,245,396)	3,526,639
End-of-service indemnities paid	(863,800)	(508,288)
Zakat paid	(2,425,433)	(1,497,730)
Net cash (used in) from operating activities	(14,534,629)	1,520,621
INVESTING ACTIVITIES		
Purchase of property and equipment	(812,984)	(707,322)
Proceeds from disposal from property and equipment	234,076	-
Dividend income received	8,831,999	-
Net change in investments in trading securities	308,478	(2,599,999)
Net change in investments in available for sale securities	-	(20,535,419)
Net change in investments in companies' share capital and lands and real estate fund	-	(24,917,006)
Additions to projects under study	(533,352)	(1,707,600)
Net cash from (used in) investing activities	8,028,217	(50,467,346)



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

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 SR (Un-audited)	2012 SR (Audited)
FINANCING ACTIVITIES		
Repayment of long term loan	(3,000,000)	(3,000,000)
Net cash used in financing activities	(3,000,000)	(3,000,000)
Net change in cash and cash equivalents	(9,506,412)	(51,946,725)
Cash and cash equivalents, January 1	16,564,391	68,511,116
Cash and cash equivalents transferred (note 1)	511,876	-
CASH AND CASH EQUIVALENTS, DECEMBER 31	7,569,855	16,564,391

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 YEAR ENDED DECEMBER 31, 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 December 31, 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 December 31, 2013, the accumulated losses of Saudi Japanese Textile Industry Company amounted to SR 162,655,021 (December 31 2012: SR 154,870,883), 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 the 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.



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AL-AHSA DEVELOPMENT COMPANY
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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 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 year ended December 31, 2013.

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

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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 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 December 31. 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	20-33
Tools and equipment	4 - 50
Furniture and 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 YEAR ENDED DECEMBER 31, 2013**

Impairment

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

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

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

Investments in trading securities

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

Investments in available for sale securities

Available for sale investments are stated at fair value, and unrealized gains and losses thereon are included in consolidated interim statement of stockholders' equity. Where an objective evidence on permanent impairment on these securities, the accumulated losses recorded in the consolidated interim statement of stockholders equity should be recorded to the consolidated interim statement of income, when a reclassification of available for sale to trading securities, the unrealized gain or loss as of the date of the reclassification will be recorded in the consolidated interim statement of income.

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. 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 YEAR ENDED DECEMBER 31, 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 interim 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 consolidated interim balance sheet date. All differences are taken to consolidated interim statement of income.



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AL-AHSA DEVELOPMENT COMPANY
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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 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
2013				
For the year ended December 31 (un-audited)				
Sales and revenue	-	6,477,350	37,202,326	43,679,676
Operating (loss) income	(7,877,989)	(810,992)	28,968,954	20,279,973
As of December 31 (un-audited)				
Property and equipment	58,531,389	3,080,589	624,336	62,236,314
Total assets	65,373,279	8,999,289	527,394,678	601,767,246
Total liabilities	67,795,493	2,368,569	6,983,526	77,147,588



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AL-AHSA DEVELOPMENT COMPANY
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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2013

	Textiles SR	Food SR	Investments SR	Total SR
2012				
For the year ended December 31 (audited)				
Sales and revenue	-	-	16,376,951	16,376,951
Operating (loss) income	(3,547,700)	-	11,844,560	8,296,860
As of December 31 (audited)				
Property and equipment	61,485,721	-	789,618	62,275,339
Total assets	72,441,088	-	490,735,153	563,176,241
Total liabilities	71,082,963	-	8,431,670	79,514,633

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 December 31, 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.

5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2013 includes machinery of Saudi Japanese Textile Industry Company, a subsidiary, with a net book value of SR 58,531,389. This subsidiary ceased production in 2007 and therefore the subsidiary's machinery has not been operating since then. Prior to period end, management had appointed an independent asset valuator to assess the value of machinery of Saudi Japanese Textile Industry Company, the report of whom indicated that the fair value for such machinery and equipment approximates 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.



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

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2013**

- 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. Subsequently, the defendants have appealed and the administrative court's decision was issued in Dammam on 19 Safar 1435 corresponding to December 22, 2013 rejecting the 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 these lands amounts to SR 27.1 million. On 2 Muharram 1435, corresponding to November 5, 2013 an agreement was reached with Emaar Al-Der'a Al-Arabi Investment Company, which the court endorsed, where the parties agreed that Emaar Al-Der'a Al-Arabi Investment Company shall transfer ownership of certain plots of land to the Company within 30 days as final settlement and the land was transferred on 23 Safar 1435 corresponding to December 26, 2013.

b) Contingent liabilities

Contingent liabilities of the Company as of December 31, 2013 amounted to SR nil against guarantees for loans granted to associates (December 31, 2012: SR 4.5 million).

7. PRIOR YEAR ADJUSTMENTS

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

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

8. RESULTS OF INTERIM PERIOD

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

