BOARD OF DIRECTORS REPORT

FOR THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2013G

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BOARD OF DIRECTORS' REPORT

Ladies and Gentlemen Shareholders of Emaar the Economic City Company

May peace be upon You.

The Board of Directors of Emaar the Economic City Company is pleased to place at your disposal the Board of Directors' annual report for the financial year 2013G. The report reviews the Company's performance and accomplishments during the past financial year, the financial statements and relevant highlights, as well as the auditor's report for the financial year ending on 31/12/2013G.

This report contains an exhaustive summary of corporate governance mechanisms, disclosures relevant to the Board, the Board committees, senior executives and transactions with concerned parties, as well as the Board's declarations.

Based on the Board of Director's keenness on ongoing transparency and disclosure according to the regulations issued by concerned authorities and the relevant local and global practices, this report complies with the Corporate Governance Bylaws issued by the Capital Market Authority in November 2006G, and the requirements of disclosure and transparency set forth in Article 27 of the Registration and Listing Rules and the Model Guide to the Board of Directors' report prepared by the Capital Market Authority.

FOREWORD BY THE CHAIRMAN OF THE BOARD

Respected Sisters and Brothers Shareholders of Emaar the Economic City Company

It is an honor to meet with you anew through the detailed annual report of Emaar the Economic City Company and to place at your disposal the major developments and accomplishments at King Abdullah Economic City, in addition to the Company's financial results for the past year 2013G.

The Company has succeeded in achieving extraordinary results in the past year through enactment of the modernization strategy at King Abdullah Economic City. The strategy is hinged upon the two main development engines at the Economic City, namely the Sea Port and the Industrial Valley Area, with focus on investment in infrastructure projects at the city, and attraction of local and global companies and investors to invest in and establish industrial and commercial projects at the City. Other accomplishments have included creation of job opportunities at the Economic City, a promising housing environment offering numerous housing solutions for various income brackets, educational and health care facilities, security and safety services, and entertainment and tourist attraction projects.

The Economic City has witnessed the opening and partial operation of King Abdullah Economic City Port. Construction works are ongoing to install all public and government facilities at the Port concurrently with a large number of companies and plants entering the production phase within the Industrial Valley. The words "Made at King Abdullah Economic City" are currently being seen and the City is witnessing completion of a large number of infrastructure projects at the Industrial Valley area and residential districts. The first hotel at King Abdullah Economic City was opened and is being operated according to international standards. Additionally, the Company has, during the said year, succeeded in launching two vital projects, namely construction of a system to link the City to the national electricity grid, and the signing of telecommunications and technology contracts with Ettihad Ettisalat (Mobily) Company.

On the other hand, the year 2013G has witnessed strong demand on the part of industrial investors for purchase of industrial land. Citizens continued to seek acquisition of residential land for the third consecutive year, reflecting positively on the Company's financial results. May God the Almighty be praised, the Company registered the highest revenues in its history at SR 2,000,000,000 as well as considerable growth in net sales and profits compared with previous years. Emaar the Economic City was able to attract a large number of major industrial companies to establish industrial projects at the Industrial Valley and has awarded building and construction contracts for various projects for a total of SR 2,000,000,000.

FOREWORD BY THE CHAIRMAN OF THE BOARD

God the Almighty willing, it is anticipated that the Economic City will witness in the coming year quality strides in terms of modernization and attraction of investments. This will contribute to the creation of attraction centers for citizens and expatriates to live at King Abdullah Economic City. The sea port is currently operational and work is ongoing on implementation of the second phase of modernization of the Industrial Zone which stretches over an area of 18 million square meters. Some 5,000 residential units will be developed.

I would also like to note that government support and follow-up have been uninterrupted. His Highness the Second Deputy Premier Prince Megren Bin Abdulaziz visited King Abdullah Economic City and attended the launching of its partial operation. A large number of major strategic projects are underway, such as the Al-Haramain Express Train, and the projects for connecting the City to highways, railways and gas supplies.

To conclude, I would like on my own behalf and on behalf of the respected members of the Board to extend to you all our sincerest thanks and appreciation for your trust and support and I wish you all and your Company further success.

Mohammad Bin Ali Al-Abbar
Chairman of the Board

1ST THE COMPANY'S MAIN ACTIVITY

The "King Abdullah Economic City" project is one of the largest and most significant economic projects managed by the private sector in the Middle East. The Company's seat is located at King Abdullah Economic City's Business Center.

"Emaar the Economic City" is a public Saudi joint-stock company incorporated by virtue of the Ministerial Resolution No. 2533 dated 3 Ramadan 1427H corresponding to 26 September 2006G. The Company performs its business in the area of land and real estate development in private economic zones and other, including modernization of infrastructures, promotion, marketing and sale of land parcels owned by the Company, through development services or proprietary sale to third parties, land leasing, modernization of buildings and residential units, or construction of facilities on land parcels for third parties, development of economic zones and sea ports, and any other activities necessary to achieve the Company's objectives. The Company is undertaking the modernization and execution of "King Abdullah Economic City" situated 90 kilometers off the northern area of Jeddah city on the Red Sea Coast. The "Economic Cities Authority" established by virtue of the Royal Decree **(No. A/19 dated 10 Rabiulawal 1431H)** is undertaking full oversight of economic cities to ensure achievement of their objectives, namely localization of national capital and attraction of foreign investment, and the objectives of the Kingdom's development plans.

The "King Abdullah Economic City" project is one of the largest and most significant economic projects managed by the private sector in the Middle East. The Company's seat is located at King Abdullah Economic City's Business Center.

2ND LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2013G

Emaar the Economic City Company presses ahead with the development of King Abdullah Economic City according to a strategic plan which has relied in its first phase upon intensive investment in infrastructure and necessary base services, most importantly the port and the industrial zone

To attract investors, including companies, plants, commercial and service facilities to the Economic City. The aim is to relocate the population to the City through increased demand for the various real estate and service products of the Company. This strategic plan is hinged upon the following thrusts in the current stage:

1. To continue with the modernization and building processes at the Economic City, with focus on the port and the industrial valley which constitute the two attraction elements with the highest importance to investors in the Economic City and the two main sources of stimulus of the urbanization momentum.
2. To continue with seeking to attract companies, plants and commercial facilities to the City. This will, in turn, create new employment opportunities at the Economic City and will stimulate demand for real estate products and services.
3. Providing a large number of housing products which suit all segments of the society and various income brackets, including middle and low income ones, through direct development by the Company or development through external real estate investors.
4. Diversification of the base of real estate products provided by the Company by offering industrial and residential land for sale specifically to create cash liquidity, with the aim being to accelerate the pace of modernization at the City.
5. To press ahead with entering into strategic partnerships with the private and public sectors to carry out a number of necessary mega projects, with the aim being to support and accelerate construction and modernization of the Economic City.
6. Adopting optimum methods of management and operation at the Economic City, and providing services to investors and dwellers at suitable prices.

This report will shed light on the projects most recently accomplished at the Economic City according to the modernization strategy adopted. Following is a summary of the latest and most significant accomplishments up to the end of the year 2013G.

- Road networks, bridges and infrastructure services
- Electrical Connection Projects
- Telecommunications and Technology Projects
- Al-Haramain Train
- The Port

LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2013G
INFRASTRUCTURE PROJECTS

I. INFRASTRUCTURE PROJECTS

a) Road networks, bridges and infrastructure services:

1. Completion of the infrastructure for phase one of Talah Gardens I Project, a residential area where residential land was sold in its entirety. Infrastructure includes lighting grids, water and irrigation systems, a telecommunication network, sanitary drainage and rainwater drainage systems, in addition to asphalting and paving of roads.
2. Work is ongoing to install the infrastructure for Talah Gardens 2 and 3 projects, including residential land of various areas. This includes equipping the area with lighting grids, water and irrigation systems, a telecommunication network, sanitary and rainwater drainage systems, as well as asphalting and paving of roads. Completion of the project is anticipated in the second quarter of 2014G. The Company had signed a contract with Al-Rajhi Infrastructure Works Company valued at SR 82 million to complete this project.
3. Sectioning and filling works have been completed in Al-Waha area allocated to the construction of residential villas for medium income individuals. The Company had signed a contract with Fadl Al-Dahlawi Establishment valued at SR 9 million to implement this project.
4. The water system project at the Baylasun Village has been completed.
5. Work is ongoing on implementation of the infrastructure project for phase I (B) of the Industrial Area. The project extends over an area of 2.1 million square meters and the contract is valued at SR 91 million. The contract includes equipping phase I (B) of the Industrial Area with all infrastructure, including asphalting, road lighting, ground extensions for sanitary drainage systems, agricultural irrigation systems, drinking water systems, drainage systems, and canals for collection of rainwater. This is in addition to the electric grid and the telecommunications network.
6. Work is ongoing on the sectioning and filling of land at the second industrial area which has a surface of 21 million square meters. Completion of this project is anticipated at the end of the first quarter of 2014G. The Company had signed the following contracts for implementation of this project: a contract with Al-Hareth Contracting Company valued at SR 66 million for Phase (A), a contract with Fadl Dahlawi Establishment valued at SR 39 million for Phase (B) and Bin Laden Company valued at SR 51 million for Phase (C) and floodwater canals.

Completion of the infrastructure for phase one of Talah Gardens I Project, a residential area where residential land was sold in its entirety. Infrastructure includes lighting grids, water and irrigation systems, a telecommunication network, sanitary drainage and rainwater drainage systems, in addition to asphalting and paving of roads.

LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2013G

INFRASTRUCTURE PROJECTS

b) Electrical Connection Projects:

Emaar Company has, in total, allocated SR 300 million for three concurrent contracts to connect King Abdullah Economic City to the national electricity grid as per the agreement made between Emaar the Economic City Company and the Saudi Electricity Company. Emaar the Economic City Company has allocated an amount of SR 175 million representing its share of the project costs for expansion of the central 380 kv relay station, in addition to 380/110 kv transformers at a safe capacity of 500 mega volts/amp allocated to the Economic City. The Saudi Electricity Company has contracted with ABB Company for implementation of this project and will be undertaking full supervision of its progress and works. The project will be implemented over the course of 28 months. Furthermore, Emaar the Economic City Company signed a contract with ABB Company valued at SR 85 million for the design and implementation of a 110/13.8 kv transmission station at a safe capacity of 134 mega volts/amp inside the industrial area at King Abdullah Economic City. The span of the project is 28 months. Emaar Company also signed a contract with Al-Sharif Group for a total amount of SR 35 million for the construction of electricity transmission 110 kv lines between the central 380/110 kv relay station and the main relay station inside the industrial area. The span of this project is 28 months. Emaar has also allocated SR 5 million representing the costs of supervision of implementation of these projects according to the specifications approved by the Saudi Electricity Company and of the procedures of hand over of the said projects to the Saudi Electricity Company upon completion of building works.

LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2013G

INFRASTRUCTURE PROJECTS

c) Telecommunications and Technology Projects

Ettihad Ettesalat (Mobily) Company has started implementation of the first phase of connection of the telecommunications network inside King Abdullah Economic City to the optic fiber network following the signing of an eight-year renewable contract between Emaar the Economic City and Mobily Company. The contract stipulates that Ettihad Ettesalat Company shall undertake implementation, maintenance and operation of the telecommunications network within King Abdullah Economic City and provide modern infrastructure for integrated telecommunications services, data relay services, and fast internet services through an advanced and safe optic fiber network characterized by high reliability and dependability. This is in addition to the information center and smart city services such as the internet propagation television (IPTV) virtual network services IP, VPN (2), Ethernet Business Connect IP, Broad Band at Work, Direct Internet Access, VPN (L3) TRANSIT. Mobily will also be providing telecommunications management services to abridge the time needed for installation and management of the telephone telecommunication network. This service will be provided to targeted companies at King Abdullah Economic City and will contribute to increased attraction of industrial and non-industrial investments and of dwellers to the City. It is noteworthy that Emaar the Economic City has opened a tender for this project. STC and Mobily companies applied and Mobily won the project.

LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2013G

INFRASTRUCTURE PROJECTS

d) Al-Haramain Train

Construction works at Al-Haramain train station situated within King Abdullah Economic City and carried out by the Ministry of Transport are moving ahead. The train will link Makkah Al-Mukarramah and Al-Madina Al-Munawara, passing through Jeddah and King Abdullah Economic City, and is set to play a major role in stimulating urbanization at King Abdullah Economic City. It will link the City to Makkah Al-Mukarramah and Al-Madina Al-Munawara which, together, form the largest population clusters in the Kingdom and Gulf-wide, with a combined total population of more than 8.5 million people. Al-Haramain train will considerably abridge the commute time between King Abdullah Economic City and Jeddah city; the journey to King Abdulaziz International Airport would take about 25 minutes by train. On the other hand, the train will contribute to enhancing the position of the Economic City as a sought-after tourist and entertainment destination located on the Red Sea coast and in the proximity of the two Holy Mosques with the potential of attracting and hosting pilgrims, Umra seekers and visitors.

LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2013G

THE PORT

II. THE PORT

In the past year, the Custodian of the Two Holy Mosques King Abdullah Bin Abdulaziz approved giving the Port the name of "King Abdullah Port". Partial operation of King Abdullah Port was launched with the arrival of the first commercial vessel on 28 September 2013G. The building of 600 meters of piers was completed, in addition to the installation of six cranes of international dimensions for the loading and unloading of cranes. Work will continue on partial operation in the coming stage. Drilling operations began to install and equip the piers and floors (roll-on, roll-off) for loading and unloading of vehicles and mobile equipment and for equipping government facilities' buildings at the Port. Full operation (import and export) will start in the first quarter of 2014G. This port will become part of the logistic system of the Kingdom of Saudi Arabia and will contribute to a more established role played by the Kingdom in the navigation movement and international trade.

ميناء الملك عبدالله
King Abdullah Port

LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2013G

INDUSTRIAL ZONES AND SUPPORT SERVICES

III: INDUSTRIAL ZONES (THE INDUSTRIAL VALLEY) AND SUPPORT SERVICES:

The Industrial Valley at the City witnessed accelerated growth after several plants started production there, including but not limited to Grove International Company, Total Oils Company, Mars International Company and Al-Batraa Air-conditioning. This is in addition to a large number of international and local companies starting construction of their own plants at the Industrial Valley. In 2012G, the Company launched sale of industrial and logistic land due to escalating demand for this type of industrial land, particularly by large national companies. The year 2013G witnessed strong demand for these lands, a number of which was sold for large industrial and logistic companies, including Mohammad Abdulatif Jameel Group, Al-Mara'i Group, Halwani Company, Al-Zahid Tractors Company, Nesma Logistic Services Company, and Al-Sharbatli Company for Import and Distribution of Foodstuffs and other, for the construction of industrial complexes and logistic services for their activities.

The second year started at the World Academy School. Some 237 male and female students are enrolled off campus in various grades.

LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2013G

DEVELOPMENT OF RESIDENTIAL AND ACCOMODATION SERVICES

LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2013G
DEVELOPMENT OF RESIDENTIAL AND ACCOMODATION SERVICES

IV: DEVELOPMENT OF RESIDENTIAL AREAS AND ACCOMMODATION SERVICES

1. Building and final finishing works at Marina 4 and Marina 2 buildings, respectively, were completed. It remains to complete testing and building quality works as a prelude to take receipt of same from contractors. It is worthy to note that Marina 1 and Marina 2 buildings consists each of 192 residential buildings while Marina 4 building consists of 116 residential units.
2. Finishing works at Marina 3 building are underway after Emaar Company signed four contracts with four different contractors for internal and external finishings and the building's infrastructure for a total amount of SR 57 million. The building consists of 116 residential units.
3. Building and construction works are underway at a project for construction of 270 residential villas at Al-Morouj District. The Company had signed a contract with the Civil Construction Pioneers Company valued at SR 210 million for execution of this project.
4. Building and construction works are underway for phase one of the Al-Wahat District Project dedicated to middle income individuals. The Company had signed a contract with Ruzaik Al-Jadrawi Company valued at SR 310 million for execution of this project which consists of 650 residential units.
5. Work is underway for completion of the construction of a commercial center at Al-Muntajaat Area in Al-Murouj District. The Company had signed a contract with Rafic Kreidie valued at SR 25 million for execution of this project.
6. Building and finishing works were completed at the Baylasun Hotel which has become operational. This first hotel at King Abdullah Economic City houses 192 rooms, a conference hall, a meeting room, restaurants, shops and a Marina. His Highness Prince Sultan Bin Salman, President and Chairman of the Board of the Saudi Commission for Tourism and Antiquities has officially opened the hotel.
7. Panda has opened the first supermarket at King Abdullah Economic City.
8. The second year started at the World Academy School. Some 237 male and female students are enrolled off campus in various grades.
9. Dr. Suleiman Faqih Hospital provides medical care to dwellers at King Abdullah Economic City through a medical clinic set up at the World Academy School Campus

BAY LA SUN

LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2013G
INDUSTRIAL ZONES AND SUPPORT SERVICES

V: OTHER DECISIONS AND DEVELOPMENTS

a) Emaar the Economic City convened its eighth ordinary general assembly on Sunday 26 Jumada Al-Oula 1434H corresponding to 7 April 2013G. The following decisions were approved at the assembly:

- Approving the board's report for the financial year ending on 31 December 2012G.
- Approving the Company's financial statements and the Auditor's report for the financial year ending on 31 December 2012G.
- Approving selection of the Auditor from among candidates by the Audit Committee to audit financial statements for the financial year 2013G and determining its remunerations.
- Discharging members of the Board for the financial year ending on 31 December 2012G.

b) Emaar the Economic City signed with Huta Marine Works Company Ltd on Wednesday 30 October 2013G a partnership agreement concerning the Port Development Company Ltd (the Company responsible for developing King Abdullah Port). The agreement stipulates converting the financial loan provided by Emaar the Economic City Company to the Port Development Company in the amount to one billion Saudi Riyals into Company shares. Furthermore, Emaar the Economic City Company has signed with the Port Development Company an agreement for sale of the remaining port land. Hence, the total land area transferred to the Port Development Company is 14.6 million square meters for a total amount of one billion, one hundred and five million Riyals. Based on these agreements, the share of Emaar the Economic City in the Port Development Company Ltd will preliminary become 74.28% and will later be amended to 50% when Huta Marine Works Company Ltd increases its share in the Company's capital according to the development phases agreed upon. The Company's capital will then be increased to SR 5.2 billion.

3RD

THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2013G

1. THE COMPANY'S FINANCIAL RESULTS

a) Annual Income Statements for the Years 2009G to 2013G

	For the 12-month period ending on 31 December 2009G (audited) in thousands of SR	For the 12-month period ending on 31 December 2010G (audited) in thousands of SR	For the 12-month period ending on 31 December 2011G (audited) in thousands of SR	For the 12-month period ending on 31 December 2012G (audited) in thousands of SR	For the 12-month period ending on 31 December 2013G (audited) in thousands of SR
Revenues	260,532	90,928	407,724	545,182	833,452
Revenue Cost	(191,050)	(154,652)	(96,108)	(66,728)	(128,786)
Total losses/ profits	(69,482)	(63,724)	(311,616)	478,454	704,666
Marketing, general and administrative expenses	(374,791)	(526,394)	(186,833)	(259,056)	(422,765)
Commission realized from bank and murabaha-based deposits	12,442	2,134	19,576	53,788	37,144
Financing burdens	-	-	(60,855)	(88,883)	(83,066)
Other revenues	1,294	10,126*	5,060	6,913	68,439**
Zakat prescribed by the Shari'ah	(17,280)	(5,955)	(6,011)	(5,073)	(31,112)
Net income prior to non-controlling equity	308,853	583,813	82,553	186,143	273,306
Net non-controlling equity share	-	-	1	(21)	(247)
Net (loss)/Income	(308,853)	(583,813)	82,554	186,122	273,059
Share (Loss)/ Dividends (SR)	(0.36)	(0.69)	0.10	0.22	0.32

* Including 9,364 thousand SR in financial profits made on exclusion of assets.
** Including 58,635 thousand SR in financial profits made on exclusion of real estate investments.

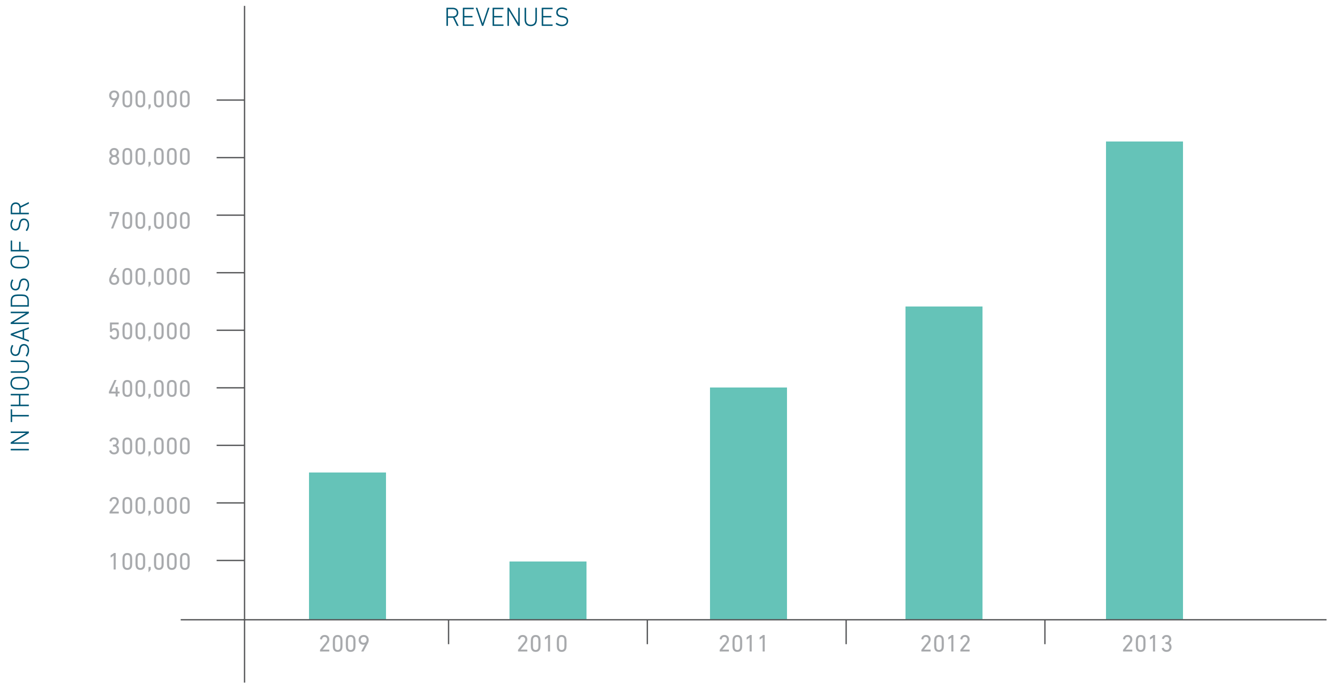


Chart showing the Company's revenues in the past five years.

b) Balance Sheets for Various Phases as on 31 December for the years from 2009G to 2013G

	2009G in thousands of SR	2010G in thousands of SR	2011G in thousands of SR	2012G in thousands of SR	2013G in thousands of SR
Circulating assets	1,773,071	1,563,794	6,005,133	4,822,003	4,443,358
Employed assets	7,532,064	7,313,421	7,741,207	9,055,839	9,903,093
Total assets	9,305,135	8,877,215	13,746,340	13,877,842	14,346,451
Circulating liabilities	1,297,554	1,434,197	1,120,696	863,954	685,665
Non-circulating liabilities	125,904	145,154	5,245,244	5,450,628	5,824,220
Total Shareholders' Rights	7,881,677	7,297,864	7,380,400	7,563,260	7,836,566
Total liabilities and shareholders' rights	9,305,135	8,877,215	13,746,340	13,877,842	14,346,451

c) Operating results for the year ending on 31 December 2013G compared with 2012G

	2012G in thousands of SR	2013G in thousands of SR	Changes in thousands of SR	Percentage of change
Revenues	545,182	833,452	288,270	5.9%
Cost of revenues	(66,728)	(128,786)	62,058	93%
Total operating profit/loss	478,454	704,666	226,212	47.3%
Major business expenses	(259,056)	(422,765)	(163,709)	63.2%
Profit/loss on main operations	219,398	281,901	62,503	28.5%

Revenues amounted to SR 833,452 in the year 2013G according to the Company's accounting standards and policy relating to realization of revenues, against SR 545,182 in the year 2012G, an increase of 52.9%. This is attributed to increased demand for the Company's products and the prices realized for both residential and industrial land sold.

Net profits amounted in 2013G to SR 273,059 against SR 186,122 for the year 2012G, an increase of 46.71% ascribed to several factors, including increased demand for products and prices realized from sale of residential and industrial land, and profits realized from exclusion of real estate investments. Further, increase in expenditures was concurrent with increase in operational processes and sales.

d) List of government payments for the 12-month period ending on 31 December 2013G compared with the year 2012G:

	2012G in thousands of SR	2013G in thousands of SR
Zakat	5,073	31,112
Tax on foreign employment contracts	-	-
Social Security	4,038	5,218
Government charges (visas, exit and re-entry, work permits)	848	552
Financial contribution to the Economic Cities Authority programs	7,500	7,500

THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2013G
PROFIT DISTRIBUTION POLICY - LOANS

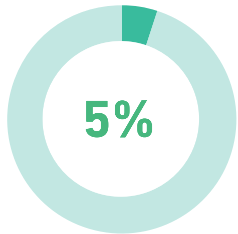
2. PROFIT DISTRIBUTION POLICY

The Company is committed to development by the Board of Directors of a clear policy on distribution of dividends to serve the interests of shareholders and apprise them of this policy at the general assembly's meeting. The general assembly, in turn, approves the dividends proposed for distribution, the date of distribution and entitlement to dividends, whether cash or share grants awarded to owners of shares registered in the registers of the securities deposit center at the close of trading on the day the general assembly was convened. The Company's articles of association stipulate that annual net profits shall be distributed after deduction of all general expenditures and other costs in the following manner:

- 10% of net profits shall be set aside towards formation of a statutory reserve. The general assembly may stop this setting aside whenever this reserve reaches half of the capital.
- Based on the proposal of the board, the ordinary general assembly may set aside a given percentage of net profits towards formation of a non-statutory reserve to be allocated to a given purpose or given purposes.
- From the remaining amount, a first installment equivalent to at least 5% of paid-up capital shall be distributed to shareholders.
- Following the aforementioned, a percentage not exceeding 10% of the remaining amount shall be allocated to the board of directors' remunerations, subject to the regulations and instructions issued by the Ministry of Commerce and Industry in this regard. The remaining amount shall be distributed as an additional share in profits.

It is noteworthy that the Company is not anticipating distribution of profits in the short and medium terms due to the project size and the time schedule expected for the processes of development and construction of King Abdullah Economic City. This process will require mega investments which may limit the possibility of distributing profits to shareholders in the short and medium terms.

10% of net profits shall be set aside towards formation of a statutory reserve



5% of paid-up capital shall be distributed to shareholders

A percentage not exceeding 10% of the remaining amount shall be allocated to the board of directors' remunerations

3. LOANS

Emaar the Economic City has obtained a direct loan of SR 5 billion from the Ministry of Finance. The loan was dedicated to the financing of base projects required at the City and was noted in the Board of Directors' report for the past financial years 2011G and 2012G. The loan will be paid back within ten years with a three-year grace period. The Company has provided guarantees against the loan consisting of a number of land parcels having a total area of twenty-four million, seven hundred fifteen thousand and four hundred and twenty-three square meters.

4. THE BOARD

a) Composition of the Board as on 31 December 2013G

The Board of Directors consists of nine members according to the Company's Articles of Association. Following are Board members:

Board Member	Independent/ Non-Independent	Executive/ Non-Executive	Other Saudi joint-stock companies of which he is a board member
Mr. Mohammad Al-Abbar Chairman of the Board	Non-Independent	Non-Executive	None
Mr. Abdullah Kamel Vice Chairman of the Board	Non-Independent	Non-Executive	Asir Trading, Tourism, Industry, Agriculture & Real Estate Company – Aljazirah Bank – Amlak Global Company for Development and Real Estate Financing* - Um Al-Qura Development and Urbanization Company*
H.E. Engineer/Khaled Al-Melhem Board Member	Independent	Non-Executive	Saudi British Bank – Riyadh Cement Company* - Saudia Catering Company.
Engineer/Abdulrahman Al-Ruwaitaa Board Member	Non-Independent	Non-Executive	Asir Trading, Tourism, Industry, Agriculture & Real Estate Company- Saudi Group for Research & Marketing Company – Halwani Bros. Company – Al-Khozama Management Company* - Jadwa Investment Company* - Amlak Global Company for Development and Real Estate Financing* - Al-Eissa Industries Company*
Mr. Ahmad Bin Jamal Jawa Board Member	Non-Independent	Non-Executive	None
Mr. Mohammad Bin Yousef Naghi Board Member	Non-Independent	Non-Executive	None
Mr. Fahd Bin Abdulmohsen Al-Rashid Managing Director	Non-Independent	Executive	Port Development Co.* - Saudia Catering Company
Mr. Faisal Al-Mubarak Board Member	Independent	Non-Executive	None
Engineer/Abdullah Taibah Board Member	Independent	Non-Executive	None

*Companies unlisted on the Saudi stock market

Mr. Mohammad Al-Abbar
Chairman of the Board

Mr. Abdullah Kamel
Vice Chairman of the Board

H.E. Engineer/Khaled Al-Melhem
Board Member

Mr. Ahmad Bin Jamal Jawa
Board Member

Engineer/Abdulrahman Al-Ruwaitaa
Board Member

Mr. Mohammad Bin Yousef Naghi
Board Member

Mr. Fahd Bin Abdulmohsen Al-Rashid
Managing Director

Mr. Faisal Al-Mubarak
Board Member

Engineer/Abdullah Taibah
Board Member

b) Board meetings as on 31 December 2013G

The Board of Directors held six meetings during the financial year 2013G as follows:

	25 Rabiulawal 1434H – 6 February 2013G	26 Jumada Al-Oula 1434H – 7 April 2013G	13 Ramadan 1434H – 21 July 2013G	01 Dhulhijja 1434H – 6 October 2013G	22 Muharram 1435H – 25 November 2013G	9 Safar 1435H – 12 December 2013G
Mr. Mohammad Al-Abbar	✓	✗	✓	✗	✓	✓
Mr. Abdullah Kamel	✓	✓	✓	✓	✓	✓
H.E. Engineer/ Khaled Al-Melhem	✓	✓	✓	✓	✓	✓
Engineer/ Abdulrahman Al-Ruwaitaa	✓	✓	✓	✓	✓	✗
Mr. Ahmad Jawa	✓	✓	✗	✓	✗	✓
Mr. Mohammad Naghi	✓	✗	✗	✓	✓	✓
Mr. Fahd Al-Rashid	✓	✓	✓	✓	✓	✓
Dr. Faisal Al-Mubarak	✓	✓	✓	✓	✓	✓
Eng. Abdullah Taibah	✓	✓	✓	✓	✗	✓

c) Board Committees:

In the context of corporate governance, the Board of Directors fans out into the following main committees: the executive committee, the review committee, and the nomination and remunerations committee.

1. The Executive Committee:

The Executive Committee consists of four members and derives its powers from the Board which entrusts it with multiple responsibilities including overseeing implementation of the Company's overall strategy, preparing the Company's balance sheets, monitoring the Company's practical and financial performance, and reporting to the Board on financial and strategic matters and on the issues relevant thereto. Following are the names of the Committee members:

Name	Position
Engineer/Abdulrahman Al-Ruwaitaa	Chairman
H.E. Engineer/Khaled Al-Melhem	Member
Mr. Fahd Al-Rashid	Member
Eng. Abdullah Taibah	Member

The Committee held seven meetings over the course of the financial year 2013G as follows:

	Abdulrahman Al-Ruwaitaa	Khaled Al-Melhem	Fahd Al-Rashid	Abdullah Taibah
25 Rabiulawal 1434H 6 February 2013G	✓	✓	✓	✓
27 Rabiulthani 1434H 18 March 2013G	✓	✓	✓	✓
26 Jumadal Oula 1434H 7 April 2013G	✓	✓	✓	✓
1 Rajab 1434H 11 May 2013G	✓	✓	✓	✓
22 Ramadan 1434H 30 July 2013G	✗	✓	✓	✓
1 Dhul Hijja 1434H 6 October 2013G	✓	✓	✓	✓
9 Safar 1435H 12 December 2013G	✗	✓	✓	✓

2. Review Committee:

The Audit Committee consists of three members, including two non-executive board members and a third member from outside the board competent with financial and accounting affairs. The tasks of this Committee include studying the internal control system and overseeing the Company's internal review department to verify its efficient performance of the works and duties designated by the Board. This is in addition to examining internal review reports and following up implementation of measures to correct inadequacies contained in the reports. The Committee's responsibilities also include submitting recommendations to the general assembly on appointment and removal of auditors, determining their remunerations, ensuring their independence and following-up their work, while studying and reviewing the audit plan with the chartered auditor and studying his remarks on the Company's financial statements, following up the measures taken in this regard, studying preliminary and annual financial statements prior to submitting same to the Board and offering opinion and recommendations relevant to same. Furthermore, the Committee studies accounting policies adopted, offers opinion and recommendations to the Board in this regard, evaluates effectiveness of the Company's assessment of significant risks, and the steps taken by the Company's management to control and address said risks. During the year 2013G, the member competent with financial and accounting affairs resigned from membership of the Committee and a new member with adequate similar experience was appointed to replace him. The following table shows the names of Committee members as on 31 December 2013G:

Name	Position
H.E. Engineer Khaled Al-Melhem	Chairman
Dr. Faisal Al-Mubarak	Member
Mr. Alaa Al-Jabri	Member

The Committee held seven meetings over the course of the financial year 2013G as follows:

	Khaled Al-Melhem	Faisal Al-Mubarak	Faisal Al-Saggaf	Alaa Al-Jabri
7 Rabiulthani 1434H 17 February 2013G	✓	✓	✓	-
23 Ramadan 1434H 31 July 2013G	✓	✓	✗	-
22 Dhul Hijjah 1434H 27 October 2013G	✓	✓	-	✓
9 Safar 1435H 12 December 2013G	✓	✓	-	✓

3. Nominations and Remunerations Committee:

The Nominations and Remunerations Committee became active in the year 2010G. It consists of three non-executive Board members and one independent Board member.
The tasks and responsibilities of the Nominations and Remunerations Committee include recommending to the Board nominations for Board membership according to the adopted policies and standards, subject to not nominating any individual previously indicted of an offence which constitutes a breach of honor and integrity, annual review of appropriate skills required for membership of the Board, preparing descriptions of the capabilities and qualifications required for Board membership, including determining the time to be dedicated by a member to the Board business.

The Committee's responsibilities also include review of the structure and composition of the Board, submitting recommendations on the changes which may be carried out, identifying the Board's strengths and weaknesses and proposing ways to address them in line with the Company's interests. Furthermore, the Committee verifies on an annual basis independence of independent members and absence of any conflict of interests if a member is also a member of the board of another company. The Committee develops clear policies for compensations and remunerations of Board members and senior executives and takes into consideration upon designing these policies the use of performance-related standards. Finally, the Committee prepares periodical and annual reports on the Committee's business and the annual disclosure report according to the law and submits same to the Board. The following table shows the names of Committee members as on 31 December 2013G:

Name	Position
Mr. Ahmad Jawa	Chairman
Mr. Mohammad Naghi	Member
Mr. Abdullah Taibah	Member

The Nominations and Remunerations Committee has held two meetings in the course of the financial year 2013G as follows

	Ahmad Jawa	Mohammad Naghi	Abdullah Taibah
22 Shaaban 1434H 1 July 2013G	✓	✗	✓
2 Safar 1435H 5 December 2013G	✓	✓	✓

d) Description of the interests of Board members, their spouses and minor children in the Company's shares:

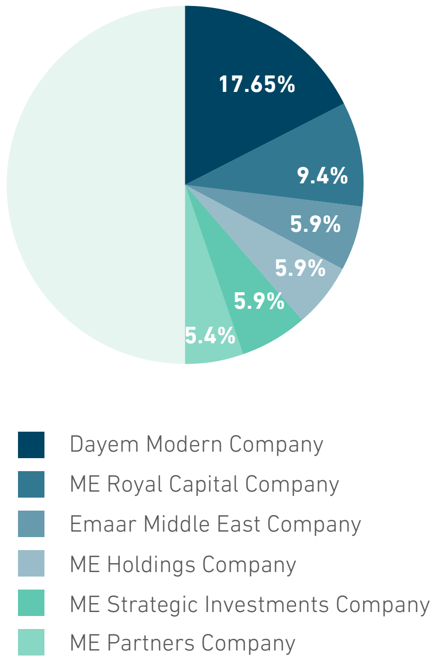
Member	Shares owned on 1/1/2013G	Shares owned on 31/12/2013G	Ownership by first-degree relatives	Amount of change from 1/1/2013G to 31/12/2013G
Mr. Mohammad Al-Abbar	10,000,000	10,000,000	None	Zero
Mr. Abdullah Kamel	1,000	1,000	None	Zero
H.E. Engineer/Khaled Al-Melhem	10,153	10,153	None	Zero
Engineer/Abdulrahman Al-Ruwaitaa	125,000	100,000	None	25,000 -
Mr. Ahmad Jawa	4,001,000	3,001,000	None	1,000,000 -
Mr. Mohammad Naghi	5,781,915	5,781,915	None	Zero
Mr. Fahd Al-Rashid	4,000	4,000	None	Zero
Mr. Faisal Al-Mubarak	1,000	1,000	None	Zero
Mr. Abdullah Taibah	1,000	1,000	None	Zero

e) Description of the interests of senior executives, their spouses and minor children in Company shares:

Name	Position	Shares owned on 1/1/2013G	Shares owned on 31/12/2013G	Ownership by first-degree relatives	Amount of change from 1/1/2013G to 31/12/2013G
Mr. Fahd Al-Rashid	Managing Director and CEO	4.000	4.000	None	Zero
Mr. Ahmad Linjawi	Head of the Industrial Sector and City Services	38.000	12.700	None	25.300-
Engineer/Emad Hashem	Sales Department Manager	None	None	None	Zero
Engineer/Wadie Abou Madyan	Project Manager	None	None	None	Zero
Mr. Faisal Farouqi	Financial Manager	None	None	None	Zero
Mr. Michael Shehosky	Operations Manager	None	None	None	Zero

f) Statement of ownership of the largest Company shareholders:

Shareholder	Shares owned	Percentage
Dayem Modern Company	150,000,000	17.65%
ME Royal Capital Company	80,000,000	9.4%
Emaar Middle East Company	50,000,000	5.9%
ME Holdings Company	50,000,000	5.9%
ME Strategic Investments Company	50,000,000	5.9%
ME Partners Company	46,000,000	5.4%



5. TRANSACTIONS WITH CONCERNED AGENCIES

Dealings with concerned agencies have amounted to SR (1,549,430). There are no Company contracts in which a member of the Company's board or the CEO or the Financial Manager or any person related to any of them has a substantial interest in.

Relevant Operations	Concerned agencies	Description	2013 (in thousands)
Commission	Port Development Company	Commission on long-term loan	18,151
Advance payments from a sister company	Port Development Company	Advance payments from an affiliated company	(50,000)
Amounts due by a subsidiary company	Port Development Company	Land Sale	20,000
Investment	Port Development Company	Investment in a subsidiary company	1,381,279
Total			1,549,430

6. REMUNERATIONS OF MEMBERS OF THE BOARD

The Company's articles of association have set forth the remunerations designated for Board members. The Company has paid an amount of SR (2,518,465) in salaries and allowances to Board members. Moreover, the Company has paid an amount of SR (14,496,783) in salaries and allowances to Company senior executives, including the CEO and the Financial Manager. The following table shows in detail the remunerations of the Board members and the salaries of five senior Company executives, including the CEO and the Financial Manager.

Description	Executive and non-executive board members	The Five Executives Who Have Received Remunerations or Compensations*
Salaries and compensations	2,505,000	11,079,483
Allowances	13,465	-
Annual periodical bonuses	-	3,417,300
Incentive plans	-	-
Any compensations or other benefits in kind paid monthly or annually	-	-
Total	**2,518,465**	**14,496,783**

7. THE COMPANY'S ADMINISTRATIVE STRUCTURE

Due to expansion of the Company's business, the Company has attracted a large number of good international and local cadres to contribute to work according to the requirements of the coming phase, particularly after the City became operational and following intensification of the modernization processes.

8. SUBSIDIARY COMPANIES

The Company owns various shares in four subsidiary companies, namely:

1. The "Ports Development" Company, a closed joint-stock company which has its seat at King Abdullah Economic City. The Company is concerned with the execution, management, development, maintenance, operation, financing of and investment in the King Abdullah Economic City port, and providing and executing all services necessary to operate the port and its necessary facilities. Shareholders in the Ports Development Company has signed an agreement for changing shareholders' shares so as for Emaar the Economic City Company's share to become 74.28% while Huta Marine Works Group owns 25.72%. The Agreement stipulates conversion of the financial loan provided by Emaar the Economic City to the Ports Development Company in the amount of one billion Saudi Riyals to shares in the Ports Development Company.
2. "The Economic Cities Investments Holding Company Ltd" in which Emaar the Economic City owns a share of 99%. The remaining share is owned by a shareholder. The Company's capital amounts to five hundred thousand Saudi Riyals and its seat is located at King Abdullah Economic City. The Company is concerned with participating in incorporation of companies or acquisition of shares in existing ones. During the year ending on 31 December 2013G, the Company contributed an amount of SR 2.7 billion as additional capital in this Company.
3. "The Industrial Zones Development Company Ltd" in which Emaar the Economic City owns a share of 99%. The remaining share is owned by the "Economic Cities Investments Holding Company Ltd". The Company's capital amounts to SR 500,000 and its seat is located at King Abdullah Economic City. It is concerned with establishment, management, operation of and providing services to industrial zones and cities, and to warehousing and storage zones.
4. "The Economic Cities' Real Estate Development Company", a company with limited liability which has its seat at King Abdullah Economic City. The Company's capital amounts to SR 500,000 and it is concerned with the ownership, acquisition, investment, sale, development, marketing, leasing and renting of land, real estate, schools, hospitals, health facilities, sports playgrounds, and train stations, including land, for account of the Company.
5. "The Leading Company for Management of the Economic Cities' Real Estate" is a company with limited liability and its seat is located at King Abdullah Economic City. The Company's capital amounts to SR 500,000 and it is concerned with the establishment, management, development, operation, leasing, renting and providing of various services to various types of real property, commercial, residential and administrative compounds at economic cities.
6. "The Economic Cities Real Estate Management and Operation Company", a company with limited liability which has its seat at King Abdullah Economic City. Its capital amounts to SR 500,000 and it is concerned with the ownership, acquisition, investment, sale, development, marketing, leasing and renting of land and real estate for various purposes, including but not limited to, residential and commercial real estate at economic cities for account of the Company. This is in addition to establishment and provision of various services to real property of various types, including hotels, resorts, facilities, and schools, hospitals, and sports playgrounds at economic cities.

9. CORPORATE GOVERNANCE

The administration of Emaar the Economic City is keen on the application of the principles and rules of good governance and on the selection of the best practices in order to serve the interests of its shareholders and to protect the rights of stakeholders. The ordinary general assembly of Emaar the Economic City Company has, during the year 2010G, endorsed the bylaws of governance of Emaar the Economic City Company based upon the Corporate Governance Bylaws of the Kingdom of Saudi Arabia issued by the Capital Market Authority by virtue of the decision 1-212-2006 dated 12 November 2006G and based on the Capital Market Regulation issued by the Royal Decree No. M/30 dated 2-6-1424H, as amended by the decision of the Capital Market Authority Council No. 1-10-2010 dated 30-3-1431H corresponding to 16-3-2010G. The Company abides by its governance bylaws; however, it was unable to implement a number of provisions of the Corporate Governance Bylaws in the Kingdom of Saudi Arabia as follows:

1. Paragraph (b) of Article Six of chapter two (shareholders' rights and general assembly) stipulates that the cumulative voting method shall be used for selection of the members of the board to the general assembly. However, the Company did not include it in the governance bylaws endorsed for it as the ordinary general assembly always takes shareholders' rights into consideration and allows all to be nominated. Furthermore, it always gives regard to selection of a board member who enjoys majority trust. This is in addition to the fact that the Company's articles of association do not stipulate cumulative voting.
2. Paragraph (d) of Article Six of chapter two (voting rights) stipulates that individual investors who have juridical capacity and who act on behalf of others shall disclose their voting policies and actual voting in their annual reports. Furthermore, they are required to disclose the manner in which they address any substantial conflict of interests which may affect practice of the basic rights relating to their investments. The Company was unable to observe this requirement as none of the juridical persons has communicated its annual reports to the Company or disclosed its voting policies.
3. Paragraph (d) of Article Twelve of chapter four (Formation of the Board) stipulates prohibition of holding the position of chairman of the board and managing director or CEO or Director General simultaneously. However, the Company did not include this provision in the governance bylaws endorsed for it. The Company did not include this provision in the Governance Bylaw approved for it and is of the view that this is unnecessary and that it is best for the Company and for its shareholders to leave this option to the Board to determine it according to the requirements of each phase in the light of the Company's position. However, the current Board separates between and does now allow holding the positions of the board chairman and managing director, or CEO and director general.

Confirmations relating to application of the governance clauses required to be disclosed in this report:

1. The Company confirms that it has not provided any loan in cash of any type to the members of its board, nor did it provide security for them in any loan involving third parties.
2. The Company does not have option and subscription rights for the members of the board, senior executives, their spouses and minor children, whether in the shares or debt instruments of the Company or of any of the subsidiaries of "Emaar the Economic City Company".
3. The Company does not have debt instruments convertible to shares, or option rights or subscription rights' memoranda, or similar rights issue by the Company during the course of the financial year 2013G.
4. The Company confirms that it has not made any agreement or assignment with any of the shareholders or executives at the Company or its employees by virtue of which he would waive his right in profits.
5. The Company confirms that no sanction or penalty or temporary qualification against the Company was executed by the Capital Market Authority or any other oversight authority.
6. The Company confirms that no substantial amendment was made in its accounting records and that it complies with the accounting standards issued by the Saudi Arabian Public Chartered Accountants Authority. Furthermore, there are no substantial remarks on the part of the chartered accountant in relation to the Company's activity or accounting records or financial statements approved for it for the year 2013G and that the chartered accountant has no reservations in relation to said statements.
7. The Company's review committee examines the procedures and regulations of internal control at the Company and their effectiveness through periodical reports submitted by the Company's in-house auditor based on the annual review plan, in addition to the annual report on effectiveness of the internal control system. In the light of studies, no substantial inadequacy was found in the control regulations or in their integrity so as to warrant disclosure. Therefore, the committee is of the view that this cycle of internal control largely reflects effectiveness of the internal control procedures. The committee has identified a number of aspects which require follow-up and more improvement to ensure more effectiveness according to its submission to the Board. Accordingly, the Company's executive management developed a plan to improve the procedures which require upgrading according to the assessment of the review committee. The committee will follow up implementation of this plan during the upcoming year 2014G to ensure compliance by the management of the action plan agreed upon.
8. The Company confirms that the Board has developed a written policy which regulates conflict of interests and addresses the potential conflict cases for members of the board, the executive management and shareholders. This includes misuse of the Company's assets and facilities, and misuse resulting from dealings with concerned persons.
9. The Company confirms that it has not received any report on interest in voting-rights' shares owned by individuals (other than the members of the board, senior executives, their spouses and minor children).
10. The Company confirms absence of any redemption or acquisition or cancellation on the part of the Company of any redeemable debt instruments.
11. The Company confirms absence of any transfer or subscription rights by virtue of debt instruments convertible to shares or option rights or subscription rights' memoranda.
12. The Company confirms that no contract has been signed in which a member of the board or the CEO or the Financial Manager or any person related to any of the aforementioned has substantial interest.
13. The Company confirms that there are no investments or other reserves created in the interest of the Company employees.
14. The Company confirms existence of a change in the ownership of the largest founder of the Company, namely Dayem Modern Company which owned the equivalent of 166 million shares representing a percentage of 19.53% and currently 150 million shares, or a percentage of 17.65%.

Table showing the level of compliance with the governance bylaws applied and unapplied in the year 2013G:

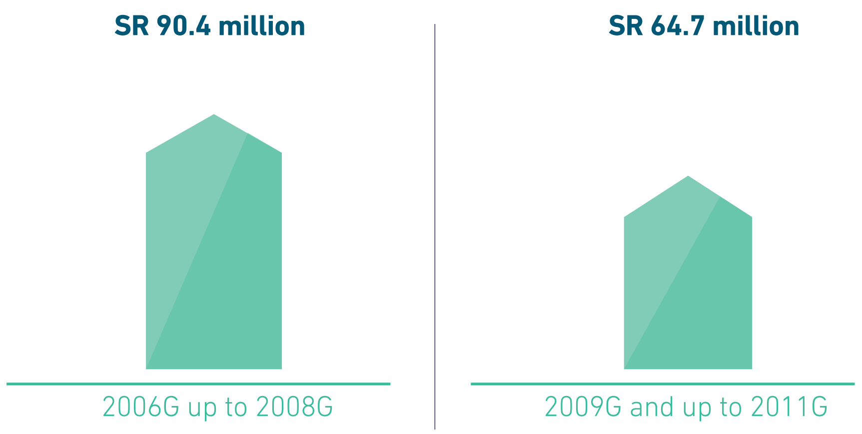
Article No. according to the corporate governance bylaws	No. of clauses	Unapplied clauses	Remarks
Third: General shareholders' rights	1		Applied
Fourth: facilitating practice by shareholders of their rights and of shareholders' obtaining information	2		Applied
Fifth: shareholders' rights relating to the general assembly's meeting	10		Applied
Sixth: Voting rights	4	1 (b), 1 (d)	Previously explained
Seventh: Shareholders' rights in share dividends	2	1 (b)	Previously explained
Eighth: policies and procedures relating to disclosure	1		Applied
Ninth: Disclosure in the Board of Directors' report	7		Applied
Tenth: Basic functions of the Board	17		Applied
Eleventh: responsibilities of the Board	8		Applied
Twelfth: composition of the Board	9	12 (i)	Previously explained
Thirteenth: Board committees and independence	3		Applied
Fourteenth: review committee	11		Applied
Fifteenth: Nominations and remunerations committee	8		Applied
Sixteenth: meetings of the Board and meetings' agendas	4		Applied
Seventeenth: Remunerations of board members	1		Applied
Eighteenth: Conflict of interests in the Board	3		Applied

10. ZAKAT AND GOVERNMENT PAYMENTS

The Company has submitted its Zakat declarations up to the end of the year 2012G and has obtained temporary Zakat payment certificates.

The Department issued Zakat assessments for the years from 2006G up to 2008G and claimed payment of additional Zakat and withheld taxes' discrepancies in the amount of SR 90.4 million, in addition to the penalty of delay. This issue is under consideration by the Supreme Appeal Committee and, in compliance with the procedures of appeal without admission of liability, the Company provided a bank guarantee and paid the withheld taxes' discrepancies, while reserving the right to challenge. The Company is of the view that under a fair review of Zakat assessments, the outcome of auditing will be in its favor. No allocations were made against the additional Zakat obligation and the withholding tax in these consolidated financial statements. The Department issued Zakat assessments for the years ending in 2009G and up to the year 2011G and claimed additional Zakat and discrepancies in withheld taxes, in addition to a penalty of delay in the amount of SR 64.7 million. The Company has challenged this assessment and it is of the view that, under a fair auditing of the Zakat assessments for the years from 2006G to 2011G, the outcome for most items challenged will be in favor of the Company. Accordingly, the Company made a partial allocation in the amount of SR 26.6 million.

The Economic Cities Investments Holding Company and the Industrial Zones Development Company Ltd have finalized their Zakat status up to the year 2011G and have filed their respective Zakat declarations for the year 2012G and obtained a temporary Zakat payment certificate.
As for the "The Economic Cities Real Estate Management and Operation Company", "The Leading Company for Management of the Economic Cities' Real Estate" and "The Economic Cities' Real Estate Development Company", these companies were incorporated in the course of the year and are not therefore subject to Zakat. Moreover, they are being registered with the Department of Zakat and Income Tax (Item 3, paragraph d).



11. SHAREHOLDERS' RIGHTS AND THE GENERAL ASSEMBLY, AND FACILITATION OF EXERCISE OF THEIR RIGHTS AND THEIR ACCESS TO INFORMATION

The Company's articles of association and governance bylaws set forth the procedures and precautions necessary to ensure practice by all shareholders of their lawful rights, including the following:

1. The right to receive the profits distributed as decreed.
2. The right to obtain a share of the Company's assets upon its liquidation.
3. The right to attend general assemblies and to take part in their deliberations and voting on their decisions.
4. The right to dispose of shares.
5. The right to monitor the board's activities, and to file a liability action against board members.
6. The right to inquiry and request of information without prejudice to the Company's interests or contradiction of the Capital Market Regulations and Implementing Bylaws.

Furthermore, the Company has made available all information enabling shareholders to fully practice their rights. The said information was exhaustive, accurate and regularly updated on the stated dates through annual reports, the Company's website, Tadawul website and press news in relation to application of publishing information to shareholders without discrimination.

For its part, the Company has held in the financial year 2013G a meeting of the general assembly which was an ordinary assembly) on Sunday 26 Jumada Al-Oula 1434H corresponding to 7 April 2013G. We confirm that the Company has not received from the chartered accountant KBMG any request to convene the general assembly during the financial year ending in 2013G and that the said assembly was not convened. Furthermore, we confirm that no request was received from shareholders owning 5% or more of capital to convene the general assembly during the financial year ending in 2013G and that the general assembly was never convened.
The Company had announced the date of convening its ordinary and extraordinary general assemblies, their respective venues and agendas twenty-five days prior to the scheduled date. The invite to the general assembly's meeting was published on Tadawul website and in Al-Madina newspaper as well as in the official gazette Um Al-Qura. The announcement explained the rules governing the meetings of the shareholders' general assembly and the voting procedures. The opportunity was given to all shareholders to participate actively and to vote on the items of the agenda. Furthermore, they were able to discuss the topics listed on the agenda and to address queries to the members of the board and to the chartered accountant and the said queries were answered, noting that no shareholder owning 5% or more of Company shares has applied for addition of one or more topics to the agenda of the general assembly at the time the said agenda was being prepared.

The Company confirms that it has avoided establishment of any procedure which may lead to hindering use by a shareholder of his voting right. Furthermore, the Company has verified the powers of attorney of attending shareholders and that they are non board members and non-Company employees.

THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2013G

FUTURE RISKS - PENALTIES - DECLARATIONS

Based on its awareness of the importance of communicating with shareholders, the Company has continued to:

1. Publish quarterly financial statements and closing accounts for the financial year 2013G on the Tadawul website according to the period stipulated by the law.
2. Publish quarterly reports on the latest project developments at King Abdullah Economic City on Tadawul website.
3. Conform to the wording of announcements specified by the Capital Market Authority and the substantial information which they must contain as well as the date of publishing said announcements.
4. Prepare the board's report according to the requirements of disclosure and the model guide prepared by the Capital Market Authority.
5. Update the Company's website (www.kaec.net) and uploading the necessary information which reflect the Company's activities, news and financial results on the website periodically.

12. FUTURE RISKS

As is the case with mega strategic projects, the building of an integrated city may entail numerous risks. Therefore, the Company consults with expertise houses from time to time to ascertain accuracy of assumptions and studies and to rely on the best practices in its business areas.

Furthermore, the Company has developed an overview of the risks which it may face and which may pose challenges having a potential effect on its performance or on the City's modernization programs, namely:

- Higher costs of project execution.
- Provision of funding to a number of projects.
- Availability and retention of qualified human cadres for management of a project.
- Contractors' ability to execute building and construction works according to the required time line.
- Activation of regulations as stipulated in the Economic Cities' Authority Regulation.

The Company undertakes detection and assessment of the said risks and addresses them on an ongoing basis through periodical monitoring and submits reports in this regard to the Board.

13. PENALTIES

The Company has not received any notices of violations or penalties from the Capital Market Authority or other for the year 2013G.

14. DECLARATIONS

Emaar the Economic City declares the following:

1. That the accounts' records were prepared accurately.
2. That the internal control system was developed on sound bases and was implemented effectively.
3. That no doubts exist as to the ability of Emaar the Economic City Company to continue to practice its business.

Signed by the Board of Emaar the Economic City Company

4TH CONSOLIDATED FINANCIAL STATEMENTS INDEPENDENT AUDITOR'S REPORT

The Shareholders
Emaar The Economic City
Jeddah, Kingdom of Saudi Arabia.

We have audited the accompanying consolidated financial statements of Emaar The Economic City ("the Company") and its subsidiaries (collectively referred as "the Group") which comprise the consolidated balance sheet as at December 31, 2013 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 30 which form an integral part of the consolidated financial statements.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with the Article 123 of the Regulations for Companies and the Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these consolidated financial statements.

Auditors' responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

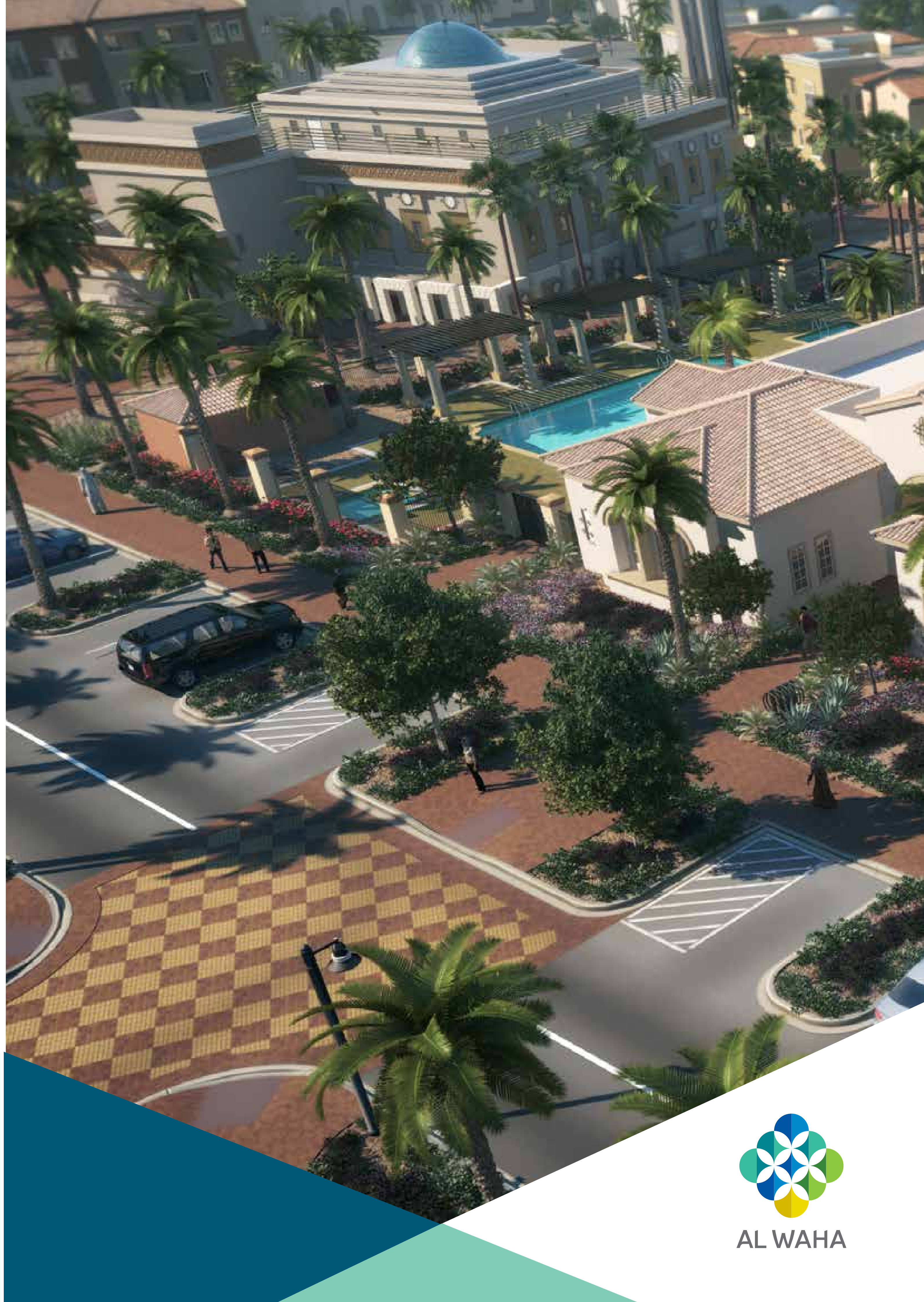
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the consolidated financial statements taken as a whole:
1. present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013 and the consolidated results of its operations and its cash flows for the year then ended, in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group; and
2. comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of the financial statements.

For KPMG Al Fozan & Al Sadhan

Ebrahim Oboud Baeshen
License No.382

Jeddah on ___________, 1435H
Corresponding to _________, 2013



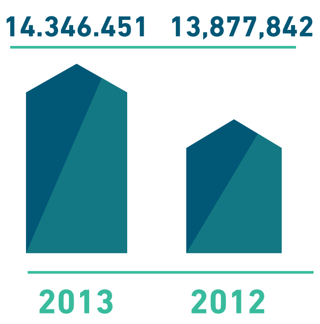
AL WAHA

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia.

CONSOLIDATED BALANCE SHEET
As at December 31, 2013

ASSETS	Notes	2013 (SR '000)	2012 (SR '000) (Restated)
Current assets			
Cash and cash equivalents	4	**2,772,040**	3,242,398
Murabaha term deposits with banks	5	**261,828**	859,279
Accounts receivable and other current assets	6	**313,652**	111,350
Development properties	7	**1,095,838**	602,563
Other investment	8	-	4,750
Loan to a related party	9	-	1,663
Total current assets		**4,443,358**	4,822,003
Non-current assets			
Investment property	10	**4,285,063**	4,465,100
Property and equipment	11	**4,135,501**	3,689,010
Investment in an associate	12	**1,381,279**	402,627
Loan to an associate	13	**-**	344,641
		9,801,843	8,901,378
Assets classified as held for disposal	14	**101,250**	154,461
Total non-current assets		**9,903,093**	9,055,839
TOTAL ASSETS		**14,346,451**	13,877,842

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.



The total assets in the year 2013G amounts to **14,346,451** thousand SR compared with **13,877,842** thousand SR in 2012G.

CONSOLIDATED BALANCE SHEET
As at December 31, 2013

LIABILITIES AND EQUITY	Notes	2013 (SR '000)	2012 (SR '000) (Restated)
Current liabilities			
Short-term loans	15	**29,215**	-
Accounts payable and accruals	16	**656,450**	863,954
Total current liabilities		**685,665**	863,954
Non-current liabilities			
Long-term loan	18	**5,274,789**	5,167,811
Deferred contribution	19	**532,252**	245,495
Long-term provision	20	**5,099**	28,811
Employees' end of service benefits		**12,080**	8,511
Total non-current liabilities		**5,824,220**	5,450,628
Total liabilities		**6,509,885**	6,314,582

EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS	Notes	2013 (SR '000)	2012 (SR '000) (Restated)
Share capital	21	8,500,000	8,500,000
Accumulated losses		**(663,706)**	(936,765)
Total shareholders' equity		**7,836,294**	7,563,235
Non-controlling interests		**272**	25
Total equity		**7,836,566**	7,563,260
Total liabilities and equity		**14,346,451**	13,877,842

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

The total liabilities and equity in the year 2013G amounts to **14,346,451** thousand SR compared with **13,877,842** thousand SR in 2012G.

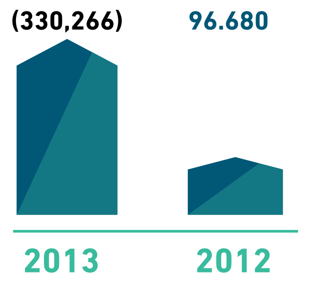
CONSOLIDATED STATEMENT OF INCOME
As at December 31, 2013

	Notes	2013 (SR'000)	2012 (SR'000) (Restated)
Revenue		**833,452**	**545,182**
Cost of revenue		**(128,786)**	(66,728)
Gross profit		**704,666**	478,454
Expenses			
Selling and marketing	22	**(62,203)**	(18,740)
General and administration	23	**(146,759)**	(179,818)
Land contribution	10	**(88,509)**	(8,177)
Depreciation , net	11	**(26,429)**	(46,508)
Impairment (loss) / reversal	11 & 14	**(120,005)**	21,916
Maintenance and other (cost) / reversal, net	20	**21,140**	(27,729)
Total expenses		**(422,765)**	(259,056)
Profit from operations		**281,901**	219,398
Financial charges, net		**(83,066)**	(88,883)
Commission income		**37,144**	53,788
Gain on disposal of investment property	10-2	**58,635**	
Share of profit / (loss) from an associate	12	**2,675**	(817)
Other income		**7,129**	7,730
Income before Zakat and non-controlling interests		**304,418**	191,216
Zakat	24	**(31,112)**	(5,073)
Net income before non-controlling interests		**273,306**	186,143
Share of non-controlling interests in the net income of consolidated subsidiaries		**(247)**	(21)
Net income attributable to Company's shareholders		**273,059**	186,122
Earnings per share on profit from operations (in SR)	25	**0.332**	0.258
Earnings per share on net income (in SR)	25	**0.321**	0.223

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
As at December 31, 2013

	Notes	2013 (SR'000)	2012 (SR'000) (Restated)
Operating activities			
Income before Zakat and non-controlling interests		**304,418**	191,216
Adjustments for			
Depreciation, net	10 & 11	**40,550**	46,508
Employees' end of service benefits, net		**3,569**	3,026
Share of (profit) / loss from an associate	12	**(2,675)**	817
Financial charges, net		**83,066**	88,883
Commission income		**(37,144)**	(53,788)
Impairment loss / (reversal)	11 & 14	**120,005**	(21,916)
Maintenance and other cost / (reversal), net	20	**(21,140)**	27,729
Gain on disposal of investment property		**(58,635)**	-
Land contribution	10	**88,509**	8,177
Gain on sale of assets classified as held for disposal		**-**	(56)
Gain on disposal of property and equipment		**(102)**	(150)
		520,421	**290,446**
Changes in operating assets and liabilities			
Accounts receivable and other current assets		**(48,221)**	(43,462)
Development properties		**(466,617)**	(535,830)
Accounts payable and accruals		**(232,191)**	(132,587)
Cash used in operations		**(226,608)**	(421,433)
Net movement in deferred contribution	19	**328,812**	96,231
Zakat paid	24	**(5,524)**	(5,064)
Net cash generated from / (used in) operating activities		**96,680**	(330,266)

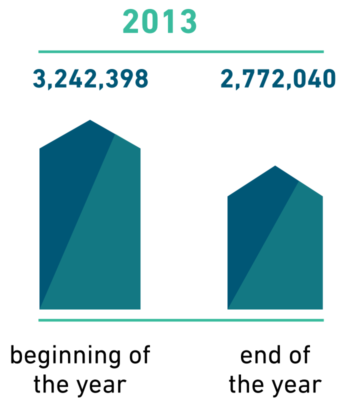


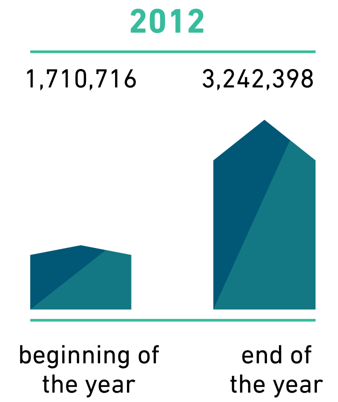
The net cash generated from operating activities in the year 2013G amounts to **96,680** thousand SR compared with **(330.266)** thousand SR in 2012G.

CONSOLIDATED STATEMENT OF CASH FLOWS
As at December 31, 2013

	Notes	2013 (SR'000)	2012 (SR'000) (Restated)
Investing activities			
Purchase of property and equipment	11	**(567,936)**	(185.959)
Proceeds from disposal of property and equipment		**102**	150
Net movement in assets held for disposal		**5,078**	49.743
Net movement in Murabaha term deposits with banks		**597,451**	2.310.333
Commission income		**37,144**	53,789
Proceed from sale of other investment		**4,750**	
Net movement in loan to a related party		**1,663**	4.275
Investment in an associate		**(1,010,300)**	(28.000)
Net movement in loan to associate		**338,000**	(342,383)
Net cash (used in) / generated from investing activities		**(594,048)**	1.861.948
Financing activity			
Short-term loan, net		**27,010**	
Net cash generated from financing activity		**27,010**	
(Decrease) / increase in cash and cash equivalents		**(470,358)**	1.531.682
Cash and cash equivalents at the beginning of the year		**3,242,398**	1.710.716
Cash and cash equivalents at the end of the year	4	**2,772,040**	3.242.398

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.





CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2013

2013G	Equity attributable to the shareholders' of the Company				
	Share capital (SR'000)	Accumulated losses (SR'000)	Total shareholders' equity (SR'000)	Non- controlling interests (SR'000)	Total (SR'000)
Balance at January 1	8,500,000	(936,765)	7,563,235	25	7,563,260
Net income	-	273,059	273,059	247	273,306
Balance at December 31	**8,500,000**	**(663,706)**	**7,836,294**	**272**	7,836,566

2012G (Restated)	Equity attributable to the shareholders' of the Company				
	Share capital (SR'000)	Accumulated losses (SR'000)	Total shareholders' equity (SR'000)	Non- controlling interests (SR'000)	Total (SR'000)
Balance at January 1	8,500,000	(1,122,887)	7,377,113	4	7,377,117
Net income	-	186,122	186,122	21	186,143
Balance at December 31	**8,500,000**	**(936,765)**	**7,563,235**	**25**	7,563,260

The accompanying notes 1 to 30 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

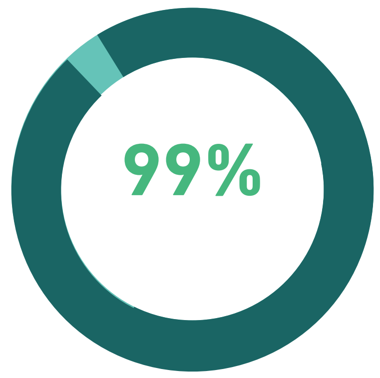
1. THE COMPANY AND ITS ACTIVITIES

Emaar The Economic City ("the Company") is a Saudi Joint Stock Company incorporated under Ministerial Resolution No.2533 dated Ramadan 3, 1427H, corresponding to September 21, 2006 and registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030164269 dated Ramadan 8, 1427H, corresponding to September 26, 2006. The Company is engaged in the development of real estate in the economic or other zones and other development activities including infra-structures, promotion, marketing and sale of land within development areas, transfer/lease of land, development of buildings/housing units, construction on behalf of other parties. The main activity of the Company is the development of the King Abdullah Economic City (KAEC).

The registered office of the company is located at the following address:

P. O. Box 8299
Amir Sultan Street
Jeddah 21482
Kingdom of Saudi Arabia.

As at December 31, 2013, the Company has investments in the following subsidiaries which are primarily involved in development, investments, marketing, sale / lease, operations and maintenance of properties and establishment of companies. The Company and its subsidiaries constitute "the Group".



Economic Cities Investments Holding Company 2013G

Economic Cities Investments Holding Company 2012G

Name	Country of incorporation	Year of incorporation	Effective ownership interest	
			2013	2012
Economic Cities Investments Holding Company (ECIHC)	Kingdom of Saudi Arabia	2010	**99%**	99%
Industrial Zones Development Company Limited (IZDCL)	Kingdom of Saudi Arabia	2011	**100%**	100%
Economic Cities Real Estate Property Operation and Management Company Limited (REOM)	Kingdom of Saudi Arabia	2013	**98%**	-
Economic Cities Pioneer Real Estate Management Company Limited (REM)	Kingdom of Saudi Arabia	2013	**98%**	-
Economic Cities Real Estate Development Company Limited (RED)	Kingdom of Saudi Arabia	2013	**98%**	-

2. BASIS OF PRESENTATION

Statement of compliance
These consolidated financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia issued by Saudi Organization for Certified Public Accountants (SOCPA).

Functional and presentation currency
These accompanying consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is the functional currency of the Group. All financial information presented in SR has been rounded to the nearest thousand.

Prior period comparative information relating to an investment in associate and certain other comparative figures have been restated and / or regrouped on a basis consistent with current year classification.

Accounting convention
The consolidated financial statements have been prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale financial assets, using accrual basis of accounting and going concern assumption.

Use of estimates and judgements
The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in future years affected. The key areas requiring significant management judgments and estimates are as follows:

Classification of investment properties
The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by the Group.

Impairment of accounts receivable
An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due.

Cost to complete the projects
As part of application of percentage of completion method on contract accounting, the cost to complete the project is estimated. These estimates include, amongst other items, the construction costs, variation orders by contractors and the cost of meeting other contractual obligations to the customers. Such estimates are reviewed at regular intervals. Any subsequent changes in the estimated cost to complete may affect the results of the subsequent periods.

Impairment on assets classified as held for disposal
Assets classified as held for disposal are assessed for impairment at regular intervals in order to reflect adequate recoverable amount in the consolidated financial statements, based on the prevailing market value obtained from professionals involved in the sale of these assets.

Long-term provision
Long-term provision is assessed periodically based on excess costs to be incurred in providing property and city maintenance services to residential customers, to reflect the probable outflow of resources required to settle the obligation.

Useful lives of property and equipment
The management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

Impairment of property and equipment and investment property
Property and equipment and investment property are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable in part or full. Whenever the carrying amount of these assets exceeds their recoverable amount, an impairment loss is recognized in the consolidated statement of income. The recoverable amount is the higher of an asset's net selling price and the value in use. The net selling price is the amount obtained from the sale of an asset in an arm's length transaction while value in use is present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of impairment losses recognised in the prior periods are recorded when there is an indication that the impairment losses recognised for the property and equipment and investment property no longer exist or have reduced.

Impairment of available for sale investments
The Group exercises judgement to consider the impairment of available for sale investments as well as their underlying assets. This includes the assessment of objective evidence which causes other than temporary decline in the value of investments. Any significant and prolonged decline in the fair value of equity investment below its cost is considered as objective evidence for the impairment. The determination of what is 'significant' and 'prolonged' requires judgement. The Group also considers impairment testing to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Impairment of other non-financial assets
The Group assesses, at each reporting date or more frequently if events or changes in circumstances indicate, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount, which is higher of fair value less cost to sell and its value in use.

3. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been consistently applied by the Group for the preparation of these consolidated financial statements:

Basis of consolidation
These consolidated financial statements include the financial statements of the Company and its subsidiaries as set out in note 1. Investment in an associate is accounted for using the equity method.

Subsidiaries
Subsidiaries are entities controlled by the Company. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

All intra-group balances and financial transactions resulting from transactions between the Company and the subsidiaries and those arising between the subsidiaries are eliminated in preparing these consolidated financial statements. Also, any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

Non-controlling interests
The Group applies a policy of treating transactions with non-controlling interest as transactions with parties external to the Group. Disposals to non-controlling interests, if any, result in gains and losses for the Group that are recorded in the consolidated statement of income if control is lost. Purchase of non-controlling interest result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less.

Accounts receivable
Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Development properties
Properties acquired, constructed or in the course of construction and development for sale are classified as development properties. Unsold properties are stated at the lower of cost and net realizable value. Sold properties in the course of development are stated at cost plus attributable profit less progress billings. The cost of development properties includes the cost of land and other related expenditure which is transferred to development properties as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less cost of completion and costs to be incurred in selling the property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Development properties (continued)

The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed and handed over and title is transferred. At that stage, cost, attributable profit and progress billings are eliminated from development properties. Management reviews the carrying values of the development properties at each reporting date.

Investment properties
Properties held for rental or capital appreciation purposes as well as those held for undetermined future use are classified as investment properties. Investment properties are carried at cost less accumulated depreciation and impairment losses, if applicable. Investment properties include buildings which are depreciated on a straight line basis over the estimated useful life of 30 years.

Properties are transferred from investment properties to development properties when and only when there is a change in use, evidenced by commencement of development with a view to sell. Such transfers are made at the carrying value of the properties at the date of transfer.

Property and equipment
Property and equipment is stated at cost less accumulated depreciation and any impairment in value. Freehold land is not depreciated. The cost less estimated residual value of property and equipment is depreciated on a straight line basis over the following estimated useful lives of the assets.

20-30 years
Buildings

4 years
Furniture and fixtures

4 years
Motor vehicles

5-10 years
Heavy equipment and machinery

FOR RENT
2 years
Leasehold improvements

3 years
Office equipments

10-30 years
Infrastructure assets

Expenditure for repair and maintenance are charged to the consolidated statement of income. Improvements that increase the value or materially extend the useful life of the related assets are capitalised. Interest on long term loan that is directly related to property and equipment is capitalised.

Investment in an associate
An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Investment in associate is accounted for using the equity method of accounting together with any long-term interests that, in substance, form part of the investor's net investment in the associate. Under the equity method, the investment in the associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate less impairment loss, if any.

When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Loan to an associate
Loan to an associate is measured at amortised cost, less impairment loss, if any.

Other investments (available-for-sale)
Investments are initially recognised at cost being the fair value of consideration given. After initial recognition, investments purchased neither with the intention of being held to maturity nor for trading purposes are #classified as available for sale and are remeasured at fair value. Unrealised gains and losses are reported as a separate component of consolidated equity until the investment is derecognised or the investment is determined to be impaired.

On derecognition or impairment the cumulative gain or loss previously recorded in equity is recognised in the consolidated statement of income for the period. Fair value is determined by reference to the market value if an open market exists. In the absence of an active market, the fair value is determined through other indicators, otherwise, cost is considered to be the fair value.

Non-current asset held for disposal
Non-current assets that are classified as held for disposal are measured at the lower of their carrying amount and fair value less costs to sell. Assets are transferred to non-current assets held for disposal when it is expected that the carrying amount will be recovered principally through disposal rather than from continuing use. For this to be the case, the asset must be available for immediate disposal in its present condition subject only to terms that are usual and customary for disposals of such assets and its disposal must be highly probable.

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for services received or when risks and rewards associated with the goods are transferred to the Group, whether billed by the supplier or not.

Loans and borrowings
Loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Deferred contribution
Deferred contribution represents amounts received from customers in respect of infrastructure assets and land, which are recognised as an obligation to provide access to the properties sold. The obligation, which is measured with reference to the contributions received, is then amortised over the useful life of the infrastructure assets for the portion that relates to infrastructure assets and deducted from depreciation upon transfer of risks and rewards of land for the portion that relates to the transfer of land.

Employees' end of service benefits
Loan to an associate is measured at amortised cost, less impairment loss, if any.

Provisions
Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

Segment reporting
In accordance with the requirements of accounting standards generally accepted in the Kingdom of Saudi Arabia, the Company is required to disclose segmental information, however in the opinion of the management, currently providing such information is impracticable and accordingly disclosures have not been made in the consolidated financial statements. Furthermore, the management believes that the non-disclosures of such information will not affect the decisions of the users of these consolidated financial statements.

Revenue recognition
Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated statement of income as follows:

Sale of property
Revenue on sale of plots of land is recognised on the basis of full accrual method as and when all of the following conditions are met:
a. a sale is consummated and contracts are signed;
b. the buyer's investment, to the date of the consolidated financial statements, is adequate to demonstrate a commitment to pay for the property;
c. the Group's receivable is not subject to future subordination;
d. the Group has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property; and
e. work to be completed is both easily measurable and accrued or is not significant in relation to the overall value of the contract.

Revenue on sale of apartments and villas is recognized on the basis of percentage of completion as and when all of the following conditions are met:
a. the buyer's investment, to the date of the consolidated financial statements, is adequate (20% and above) to demonstrate a commitment to pay for the property;
b. construction is beyond a preliminary stage. The engineering, design work, construction contract execution, site clearance and building foundation are finished;
c. the buyer is committed: the buyer is unable to claim a refund except for non delivery of the unit; and
d. the aggregate sales proceeds and costs can be reasonably estimated.

Lease of investment property
Rental income from investment properties is accounted for on a straight-line basis over the lease term on ongoing leases.

Services
Revenue from rendering of services is recognized when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the balance sheet date.

Murabaha term deposits with banks
Income on Murabaha term deposits with banks is recognised on effective yield basis.

Cost of revenue
Cost of revenue includes the cost of land, development and other service related costs. Development costs include the cost of construction. The cost of revenues in respect of apartments and villas is based on the estimated proportion of the development cost incurred to date to the estimated total development costs for each project.

The cost of revenues in respect of land sales is based on the total estimated cost of the land site over the total land area in a particular development.

Expenses
Selling and marketing expenses are those that specifically relate to the selling and marketing activities of the Group. All other expenses are classified as general and administration expenses.

Borrowing costs
Borrowing costs that are directly attributable to the construction of an asset are capitalised using capitalisation rate up to the stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the consolidated statement of income.

Operating leases
Operating lease payments are recognized as an expense in the consolidated statement of income on a straight line basis over the lease term.

Zakat
Zakat is provided for in accordance with Saudi Arabian Department of Zakat and Income Tax (DZIT) regulations. The provision is charged to the consolidated statement of income.

Foreign currencies
Transactions in foreign currencies are recorded in Saudi Arabian 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 the consolidated statement of income.

Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate at the date of initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Offsetting
Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of income unless required or permitted by generally accepted accounting principles in Kingdom of Saudi Arabia.

4. CASH AND CASH EQUIVALENTS

	2013 (SR'000)	2012 (SR'000)
Bank balances and cash	**84,040**	173,698
Short-term Murabaha deposits (note 5)	**2,688,000**	3,068,700
	2,772,040	3,242,398

5. MURABAHA TERM DEPOSITS WITH BANKS

Murabaha term deposits with banks represents funds placed with commercial banks at market rates and comprised of the following:

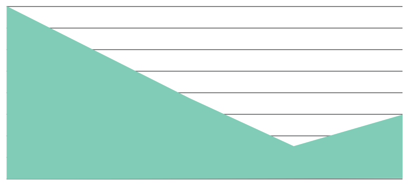
	2013 (SR'000)	2012 (SR'000)
Murabaha deposits	**2,949,828**	3,927,979
Less: short-term Murabaha deposits (note 4)	**2,688,000**	3,068,700
	261,828	859,279

6. ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

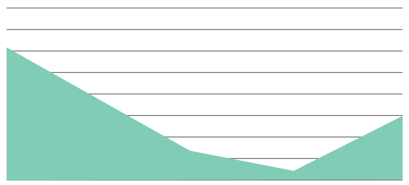
	2013 (SR'000)	2012 (SR'000) (Restated)
Accounts receivable (note 6.1)	**119,245**	77,293
Commission receivable on Murabaha term deposits	**3,144**	2,713
Advances to suppliers	**3,911**	3,592
Prepayments	**4,553**	11,071
Margin on letter of credits	**5,610**	10,816
Amount due from affiliates (note 17)	**168,240**	89
Other current assets	**8,949**	5,776
	313,652	111,350
Gross accounts receivable	**121,937**	77,412
Allowance for doubtful receivable	**(2,692)**	(119)
	119,245	77,293

The ageing analysis of accounts receivable is as follows:

	Up to three months	Above three and up to six months	Above six months	Total
December 31, 2013	**42,110**	**20,629**	**59,198**	**121,937**
December 31, 2012	41,197	7,596	28,619	77,412



December 31, 2013



December 31, 2013

Unimpaired trade receivables are expected, on the basis of past experience to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables.

7. DEVELOPMENT PROPERTIES

	2013 (SR'000)	2012 (SR'000)
Cost incurred to date	**1,806,654**	1,784,945
Properties under construction (note 10)	**(746,836)**	(888,074)
Properties Completed	**(216,992)**	-
Transfer from investment properties (note 10.1)	**102,090**	25,715
	944,916	922,586
Attributable profit	**1,379,074**	729,620
Less: Progress billings	**(1,220,824)**	(1,042,315)
Less: Provision for development properties	**(7,328)**	(7,328)
	1,095,838	602,563

Development properties represent costs incurred to-date on projects under progress at KAEC, intended to be sold, and costs incurred to-date plus attributable profit / (loss) on sold properties less progress billings made in respect of sold properties under development.

Development properties also include plots of land, amounting to SR 296.5 million (2012: SR 197.5 million) which have been identified by the management to be sold in their present condition. Accordingly, these have been reclassified from investment property to development properties.

During the year ended December 31, 2012, the Company reclassified certain projects, initially identified for sale in their present condition, as projects for long-term lease. Consequently, related cost amounting to SAR 888 million, including land of SR 8 million, was reclassified from development properties to investment properties (note 10).

8. OTHER INVESTMENT

In 2008, the Company established an entity, Cadre The Economic Cities, LLC (Cadre), which was incorporated in the Kingdom of Saudi Arabia on Jumada Awal 6, 1429H, corresponding to May 11, 2008. The Company had a 95% holding in Cadre.

During 2012, the Board of Directors of the Company decided to transfer ownership of Cadre to Economic Cities Authorities ("ECA"). Legal formalities to transfer the investment at cost has been concluded during the year ended December 31, 2013.

9. LOAN TO A RELATED PARTY

Loan to a related party represented a commission free loan receivable from Cadre which has been collected in full during the year ended December 31, 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

10. INVESTMENT PROPERTY

The investment properties include the following:

	2013 (SR'000)	2012 (SR'000)
Greenfield land and associated cost (note 7 & 10.1)	**3,328,472**	3,577,026
Properties under construction (note 10.4)		
Balance at January 1	**888,074**	-
Transferred from development properties	**-**	888,074
Cost incurred during the year	**75,754**	-
Transferred to properties completed	**(216,992)**	-
	746,836	888,074
Properties completed		
Cost	**216,992**	-
Accumulated Depreciation	**(7,237)**	-
	209,755	-
	4,285,063	4,465,100

10. 1 A Greenfield Land measuring approximately 168 million square meters has been earmarked for the master development of the KAEC. This includes land measuring approximately 37 million square meters which was contributed by a shareholder as part of its capital contribution for an agreed sum of SR 1,700 million in lieu of shares of the same value in the Company.

Greenfield land measuring 10.5 million sqm has been earmarked for lease to industrial customers.
The specific allocation of remaining Greenfield Land to be used by different projects, which could be for sale or rental, has not yet been completed. Therefore, the Greenfield Land and associated costs amounting to SR 3,328 million (2012: SR 3,577 million) has been classified as investment property. No depreciation has been charged as these comprise only freehold land.

The movement in the Greenfield Land and associated costs is as follows:

	2013 (SR'000)	2012 (SR'000)
Balance at January 1 **Less: transfers / sale:**	**3,577,026**	3,613,808
to development properties upon change in use (note 7)	**(102,090)**	(25,715)
to property and equipment (note 11)	**-**	(2,890)
sale to an associate (note 10.2)	**(57,955)**	-
land contribution (note 10.3)	**(88,509)**	(8,177)
Balance at December 31	**3,328,472**	3,577,026

Greenfield Land includes 24.7 million sqm pledged in favour of Ministry of Finance against a long-term loan of SR 5,000 million (note 18).

10. 2 During the year, the Company sold land amounting to SR 58 million as per the agreement with Port Development Company, an associate (note 17). At the year ended December 31, 2013 the legal formalities to transfer the relevant land title deeds are under process.

10. 3 During the year ended December 31, 2013, the Board of Directors of the Company have resolved, subject to approval from General Assembly of the Company, to provide a land to a Government body free of cost.

10. 4 Properties under construction comprise of building and related land and accordingly, no depreciation is charged for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

11. PROPERTY AND EQUIPMENT

	Freehold Land (SR'000)	Buildings (SR'000)	Leasehold improvements (SR'000)	Heavy equipment & machinery (SR'000)		Furniture & fixtures (SR'000)	Office equipment (SR'000)	Motor vehicles (SR'000)	Infrastructure assets (SR'000)	Capital work in progress (SR'000)	**Total (SR'000)**
Cost:											
At the beginning of the year	50,571	462,583	20,497	16,673		15,334	41,357	4,126	177,946	3,119,561	**3,908,648**
Additions	-	2,255	686	518		8,193	25,808	1,074	41,169	488,233	**567,936**
Provision for impairment	-	-	-	-		-	-	-	-	(72,194)	**(72,194)**
Borrowing cost	-	-	-	-		-	-	-	-	26,117	**26,117**
Transfer in/(out)	-	397,081	4,006	1,102		3,389	2,516	-	1,126,329	(1,534,423)	**-**
Disposals	-	-	-	-		-	-	(395)	-	-	**(395)**
At the end of the year	50,571	861,919	25,189	18,293		26,916	69,681	4,805	1,345,444	2,027,294	**4,430,112**
Depreciation:											
At the beginning of the year	-	101,028	20,497	10,748		14,094	36,485	2,691	34,095	-	**219,638**
Charge for the year (note 11.1)	-	21,204	2,012	1,252		3,409	3,227	796	43,468	-	**75,368**
Disposals	-	-	-	-		-	-	(395)	-	-	**(395)**
At the end of the year	-	122,232	22,509	12,000		17,503	39,712	3,092	77,563	-	**294,611**
Net book values:											
At 31 December 2013	**50,571**	**739,687**	**2,680**	**6,293**		**9,413**	**29,969**	**1,713**	**1,267,881**	**2,027,294**	**4,135,501**
At 31 December 2012	50,571	361,555	-	5,925		1,240	4,872	1,435	143,851	3,119,561	**3,689,010**

11. 1 Depreciation

	2013 (SR'000)	2012 (SR'000)
Charged during the year	**75,368**	46,508
Amortisation of deferred contribution (note 19)	**(42,055)**	-
	33,313	46,508
Charged to cost of revenue	**(6,884)**	-
	26,429	46,508

11. 2 Capital work in progress mainly represents construction costs in respect of the infrastructure and other projects at the King Abdullah Economic City.

12. INVESTMENT IN AN ASSOCIATE

	2013 (SR'000)	2012 (SR'000)
Investment	**235,980**	235,980
Share of profit / (loss) from an associate	**1,760**	(915)
	237,740	235,065
Additional capital contribution	**1,143,539**	167,562
	1,381,279	402,627

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On Jumada Awwal 14, 1431H (corresponding to April 29, 2010), the Port Development Company (PDC), a closed joint stock company was incorporated in the Kingdom of Saudi Arabia, which will be engaged in development, operation and maintenance of the King Abdullah Port at KAEC (the Port).

During 2011, the shareholders of PDC entered into an agreement whereby, the shareholding structure and funding mechanism of PDC was agreed. As per the terms of agreement, the Company's shareholding in PDC was agreed to be 34%.

On October 8, 2013 the shareholders of PDC have resolved to increase the shareholdings of the Company to 74% by converting additional capital contribution to equity in PDC. Consequently, the land of SR 200 million contributed as part of equity funding during the period ended March 31, 2013 has been reclassified as receivable from PDC (note 17).

To contribute a part of the equity funding under the agreement, the Company invested SR 145 million in the form of land, infrastructure and other development cost. At the period ended December 31, 2013 the legal formalities to transfer the relevant title deeds are under process. The Company also invested cash of SR 633 million including SR 370 million provided during the year ended December 31, 2013. Additional capital contribution also includes SAR 640 million which has been reclassified from loan to an associate under the agreement dated October 8, 2013 (note 13). The legal formality in respect of conversion of additional capital contribution to equity is in progress.

13. LOAN TO AN ASSOCIATE

During 2012, the Company signed a loan agreement with PDC in accordance with the Shareholders Agreement whereby, the Company has agreed to provide SR 1,000 million commission based loan to PDC, which was approved in the Annual General Meeting of the Company held on March 31, 2012. Accordingly, an amount of SR 640 million (2012: SR 338 million), has been disbursed to PDC which was repayable in seven annual instalments commencing from May 1, 2015. Under the agreement dated October 8, 2013 the shareholders of PDC have agreed to convert the outstanding loan extended by the Company into equity shares of PDC and accordingly, the amount of SR 640 million has been reclassified to investment in an associate (note 12).

Moreover, in accordance with the agreement, accrued commission amounting to SR 18 million pertaining to the loan will be settled by PDC and therefore, has been reclassified as receivable. (note 17)

14. ASSETS CLASSIFIED AS HELD FOR DISPOSAL

The Group has identified certain assets amounting to SR 149 million (2012: 154 million) which are to be disposed off in line with the strategic business plans of the Group. Accordingly, these assets are classified as held for disposal. During the year ended December 31, 2013, these assets have been reviewed for impairment which indicated an impairment of SR 47.8 million (2012: Nil) and has been recognised in the consolidated statement of income.

15. SHORT-TERM LOANS

As at December 31, 2013 the Group has a short-term loan amounting to SR 29 million (2012: Nil) from a commercial bank at prevailing market rates.

16. ACCOUNTS PAYABLE AND ACCRUALS

	2013 (SR'000)	2012 (SR'000)
Accounts payable	**213,571**	264,187
Advance from customers	**104,626**	236,058
Contract cost accruals	**112,496**	149,044
Amount to be donated for charitable purposes (note 16.1)	**70,484**	69,753
Accrued expenses and other payables	**88,355**	51,416
Amounts due to affiliates (note 17)	**2,517**	70,349
Retentions payable	**27,442**	11,776
Zakat payable (note 24)	**36,959**	11,371
	656,450	863,954

16. 1 The Board of Directors decided in 2006 to donate the amount earned on the founding shareholders' share capital contribution (before initial public offering) placed in fixed deposits maintained with a bank before placing funds under an Islamic deposit scheme. Commission earned on this deposit is added to the amount to be donated for charitable purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

17. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions mainly represent services, expenses and other transactions which are undertaken at mutually agreed terms and approved by the management.

In addition to the disclosures set out in notes 6,8, 9, 10, 12, 13 and 16 related party transactions for the year ended December 31, 2013 and balances are described as under:

		2013		2012	
Related party	Nature of transaction	**Amount of transaction (SR'000)**	**Balance receivable/ (payable) (SR'000)**	Amount of transaction (SR'000)	Balance receivable/ (payable) (SR'000)
Affiliates	Expenses incurred by affiliates on behalf of the Group	-	**(343)**	-	(343)
	Expenses incurred by Group on behalf of an affiliate	-	**89**	89	89
	Services provided to the Group	-	**(2,174)**	-	(2,174)
	Advance from an affiliate	**17,800**	**(50,000)**	(67,800)	(67,800)
	Commission income	**11,510**	**18,151**	6,641	6,641
	Sale of land	**200,000**	**200,000**	-	-
Key management personnel	Remuneration	8,673	-	7,098	-
Board of Directors	Meeting fees	**2,505**	-	2,672	(32)

18. LONG-TERM LOAN

During 2011, the Company received a loan of SR 5,000 million from the Ministry of Finance (MoF) for the development of KAEC. The loan is secured against pledge of 24.7 million sqm of the Greenfield Land (note 10.1) and carries annual commission at commercial rates and is repayable, with a three years grace period, in seven annual instalments commencing from June 1, 2015. The loan balance as at December 31, 2013 also includes accrued commission amounting to SR 274.8 million (2012: SR 167.8 million).

19. DEFERRED CONTRIBUTION

	2013 (SR'000)	2012 (SR'000)
Balance at January 1	**245,495**	149,264
Collections during the year	**328,812**	96,231
Amortisation during the year (note 11.1)	**(42,055)**	-
Balance at December 31	**532,252**	245,495

20. LONG-TERM PROVISION

During 2011, the Company received a loan of SR 5,000 million from the Ministry of Finance (MoF) for the development of KAEC. The loan is secured against pledge of 24.7 million sqm of the Greenfield Land (note 10.1) and carries annual commission at commercial rates and is repayable, with a three years grace period, in seven annual instalments commencing from June 1, 2015. The loan balance as at December 31, 2013 also includes accrued commission amounting to SR 274.8 million (2012: SR 167.8 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

21. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Company is as follow:

	2013		2012	
	Number of shares	**(SR'000)**	Number of shares	(SR'000)
Issued for cash	**680,000,000**	**6,800,000**	680,000,000	6,800,000
Issued for consideration in kind (note 10.1)	**170,000,000**	**1,700,000**	170,000,000	1,700,000
	850,000,000	**8,500,000**	850,000,000	8,500,000

22. SELLING AND MARKETING EXPENSES

	2013 (SR'000)	2012 (SR'000)
Employee costs	**14,915**	3,586
Branding and launch expenses	**30,630**	1,432
Advertising and promotional expenses	**11,167**	6,414
Others	**5,491**	7,308
	62,203	18,740

23. GENERAL AND ADMINISTRATION EXPENSES

	2013 (SR'000)	2012 (SR'000) (Restated)
Employee costs	**79,899**	92,760
Facility and city management services	**13,994**	22,462
Professional charges	**22,564**	25,584
Rent	**4,311**	18,542
Repairs and maintenance	**13,387**	6,500
Communication and office expenses	**4,567**	5,130
Others	**8,037**	8,840
	146,759	179,818

24. ZAKAT

a. Charge for the year

Zakat charge for the year ended December 31 comprises the following:

	2013 (SR'000)	2012 (SR'000)
Current & prior year	**31,112**	5,073

The significant components of Zakat base for the current year ended December 31, 2013 are as follow:

	2013 (SR'000)	2012 (SR'000)
Equity and provisions	**16,208,096**	11,776,624
Book value of long term assets	**(16,305,151)**	(12,037,201)
	(97,055)	(260,577)
Zakatable income for the year	**397,368**	121,124
Zakat base	**397,368**	121,124

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

b. Accrued Zakat

The movement in accrued zakat during the year ended December 31 is as follows:

	2013 (SR'000)	2012 (SR'000)
Balance at beginning of the year	**11,371**	11,362
Add: Charge for the year	**31,112**	5,073
Less: Payments during the year	**(5,524)**	(5,064)
Balance at end of the year	**36,959**	11,371

c. Status of assessments

The Company has filed the Zakat returns up to the year 2012 and obtained restricted Zakat certificates.

The DZIT issued Zakat assessments for the years 2006 to 2008 and claimed additional Zakat and withholding tax differences of SR 90.4 million in addition to delay penalty. The case is currently reviewed at the Higher Appeal Committee (HAC). In compliance of the appeal procedures and without admitting the liability, the Company submitted a bank guarantee and paid under protest the withholding tax differences. The Company is of the view that given a fair review of the assessments, their view should prevail. No provision is made for the additional Zakat and withholding tax liability in these consolidated financial statements.

The DZIT issued Zakat assessment for the years 2009 to 2011 and claimed additional Zakat, withholding tax and delay penalty differences of SR 64.7 million. The Company has filed an objection against this assessment. The Company is of the view that given a fair review of the assessments for the years 2006 to 2011, their view should prevail for most of the items under objection. The Company has established a partial provision of SR 26.6 million against the additional Zakat, withholding tax and delay penalty.

ECIHC and IZDCL have finalized its Zakat status up to the year 2011 and have also filed the Zakat return for the year 2012 and obtained an unrestricted Zakat certificate.

REOM, REM and RED are incorporated during the year and are not subject to Zakat. However, these are currently in the process of registration with DZIT.

25. EARNINGS PER SHARE

Earnings per share on profit from operations are calculated by dividing the profit from operations with the weighted average number of ordinary shares in issue during the year.

Earnings per share on net income are calculated by dividing the net income with the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share is not applicable to the Group.

26. LEASES

Operating lease commitments - Group as lessee
The Group has operating leases for office space, residential units and equipments. The leases are renewable at the expiry of lease period. The Group's obligation under the operating lease is as follows:

	2013 (SR'000)	2012 (SR'000)
Within one year	**4,022**	2,100
After one year but not more than five years	**-**	370
More than five years	**-**	-
	4,022	2,470

Operating lease commitments - Group as lessor
The Group has entered into leases on its investment property portfolio. The future minimum rentals receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables, are as follows:

	2013 (SR'000)	2012 (SR'000)
Within one year	**21,909**	15,214
After one year but not more than five years	**79,386**	60,854
More than five years	**316,322**	256,400
	417,617	332,468

27. RISK MANAGEMENT

The Group is exposed to market, credit and liquidity risks.

The Group's management oversees the management of these risks. The Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments affected by market risk include loan from Ministry of Finance and Murabaha deposits. Market prices comprise of commission rate risk and currency risk as stated below.

Commission rate risk
Commission rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates. The Group's exposure to the risk of changes in market commission rates relates primarily to the Group's commission bearing bank deposits and loan from MOF. The Group manages its commission rate risk by monitoring changes in commission rates in the currencies in which its commission bearing liabilities and assets are denominated.

Currency risk
Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates. The Group did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars, and as US Dollar is pegged to Saudi Riyal, the Group is not exposed to significant currency risk.

Credit risk
Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by monitoring outstanding receivables. The sale agreements with customers provide that the title to the property is transferred to the customers only upon the receipt of complete sale price. The five largest customers account for 43% (2012: 53%). of outstanding accounts receivable at December 31, 2013.

The Group manage its exposure to credit risk with respect to Murabaha deposits with banks by diversification and investing with counterparties with sound credit rating preferably A or higher. At the reporting date, all counter parties to the Murabaha deposits have credit ratings of A or higher. With respect to credit risk arising from the other financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

27. RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a regular basis and the Group manages its liquidity risk by ensuring that sufficient funds are available to meet any commitments as they arise.

As at December 31, 2013, financial liabilities of SR 213.6 million (2012: SR 264.1 million) are payable within 3 months and the remaining financial liabilities are payable within 4 to 12 months, of the year end.

28. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Group's financial assets consist of cash and cash equivalents, Murabaha deposits with banks, accounts receivable and amount due from an affiliate and its financial liabilities consist of payables and accruals and loan from MoF. The management believes that the fair values of financial instruments are not materially different from their carrying values.

29. CONTINGENT LIABILITIES AND COMMITMENTS

a. The Group has contracted with its industrial customers to provide property management and city maintenance services. The costs of providing these services to industrial customers is currently being assessed. The financial effect, if any, is not currently practicable to estimate.

b. The Group had commitments as at December 31, 2013 amounting to SR 1,602 million (2012: SR 441.2 million) related to future capital expenditure for the development of KAEC.

30. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised to issue by the Board of Directors on ____________, 1435H, corresponding to ____________, 2013.