EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three-month period and year ended December 31, 2012

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REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Scope of review

We have reviewed the accompanying interim consolidated balance sheet of Emaar The Economic City and its subsidiaries (collectively referred as "the Group") as at December 31, 2012, the related interim consolidated statements of income for the three-month period and year then ended and the interim consolidated statements of cash flows and interim consolidated changes in equity for the year then ended and the attached notes 1 to 21 which form an integral part of these interim condensed consolidated financial statements. These interim condensed consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the Auditing Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

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

For KPMG Al Fozan & Al Sadhan

Ebrahim Oboud Baeshen
License No.382

Rabi Al Awal 7, 1434H
Corresponding to January 19, 2013

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at December 31, 2012

	Notes	2012 (SR '000)	2011 (SR '000) (Restated)
ASSETS			
Current assets:			
Cash and cash equivalents	4	**3,242,398**	1,710,716
Murabaha term deposits with banks	5	**859,279**	3,169,612
Accounts receivable and other current assets		**111,356**	67,894
Development properties	6	**602,563**	1,046,223
Other investment	7	**4,750**	4,750
Loan to a related party	8	**1,663**	5,938
Total current assets		**4,822,009**	6,005,133
Non-current assets:			
Investment property	9	**4,465,100**	3,613,808
Property and equipment	10	**3,689,010**	3,542,271
Investment in an associate	11	**408,980**	380,980
Loan to an associate	12	**344,641**	--
		8,907,731	7,537,059
Assets classified as held for disposal	13	**154,461**	204,148
Total non-current assets		**9,062,192**	7,741,207
TOTAL ASSETS		**13,884,201**	13,746,340
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and accruals	14	**863,954**	1,120,696
Non-current liabilities:			
Long-term loan	16	**5,167,811**	5,061,684
Deferred contribution		**245,495**	149,264
Long-term provision		**28,811**	28,811
Employees' end of service benefits		**8,511**	5,485
Total non-current liabilities		**5,450,628**	5,245,244
Total liabilities		**6,314,582**	6,365,940
Equity attributable to the Company's shareholders:			
Share capital	17	**8,500,000**	8,500,000
Accumulated losses		**(930,406)**	(1,119,604)
Total shareholders' equity		**7,569,594**	7,380,396
Non-controlling interests		**25**	4
Total equity		**7,569,619**	7,380,400
Total liabilities and equity		**13,884,201**	13,746,340

The accompanying notes 1 to 21 form an integral part of these unaudited interim condensed consolidated financial statements.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
For the three-month period and year ended December 31, 2012

	Notes	**For the three-month period ended December 31, 2012 (SR'000)**	For the three-month period ended December 31, 2011 (SR'000) (Restated)	**For the year ended December 31, 2012 (SR'000)**	For the year ended December 31, 2011 (SR'000) (Restated)
Revenue		**47,378**	81,133	**545,182**	407,724
Cost of revenue		**(14,443)**	(5,447)	**(66,728)**	(96,108)
Gross profit		**32,935**	75,686	**478,454**	311,616
Expenses:					
Selling and marketing		**(4,677)**	(4,312)	**(18,740)**	(17,314)
General and administration		**(53,915)**	(46,983)	**(187,995)**	(149,876)
Depreciation		**(9,633)**	(10,707)	**(46,508)**	(45,282)
Other costs, net		**11,916**	--	**(5,813)**	25,639
Total expenses		**(56,309)**	(62,002)	**(259,056)**	(186,833)
(Loss) / profit from operations		**(23,374)**	13,684	**219,398**	124,783
Financial charges, net		**(16,850)**	(24,966)	**(88,883)**	(60,855)
Commission income		**15,853**	10,968	**56,047**	19,576
Other income, net		**6,229**	4,212	**7,730**	5,060
(Loss) / income before Zakat and non-controlling interests		**(18,142)**	3,898	**194,292**	88,564
Zakat	19	**24,927**	(1,511)	**(5,073)**	(6,011)
Net income before non-controlling interests		**6,785**	2,387	**189,219**	82,553
Share of non-controlling interests in the net (income) / loss of consolidated subsidiaries		**(21)**	1	**(21)**	1
Net income		**6,764**	2,388	**189,198**	82,554
(Loss)/earnings per share on profit from operations (in SR)	18	**(0.027)**	0.016	**0.258**	0.147
Earnings per share on net income (in SR)	18	**0.008**	0.003	**0.223**	0.097

The accompanying notes 1 to 21 form an integral part
of these unaudited interim condensed consolidated financial statements

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the year ended December 31, 2012

	Note	2012 SR'000	2011 SR'000 (Restated)
Operating activities:			
Income before Zakat and non controlling interest		**194,292**	88,564
Adjustments for:			
Depreciation		**46,508**	45,282
Employees' end of service benefits, net		**3,026**	402
Financial charges		**88,883**	60,855
Commission income		**(56,047)**	(19,576)
Other costs, net		**5,813**	(25,639)
Gain on sale of assets classified as held for disposal		**(56)**	--
(Gain)/ loss on disposal of property and equipment		**(150)**	37
Transfer of Land		**8,177**	--
		290,446	149,925
Changes in operating assets and liabilities:			
Accounts receivable and other current assets		**(43,462)**	61,183
Development properties		**(535,830)**	(295,604)
Accounts payable and accruals		**(132,577)**	(38,380)
Deferred contribution		**96,231**	63,643
Cash used in operations		**(325,192)**	(59,233)
Zakat paid		**(5,053)**	(4,592)
Net cash used in operating activities		**(330,245)**	(63,825)
Investing activities:			
Purchase of property and equipment		**(185,959)**	(174,394)
Sale proceeds from disposal of property and equipment		**150**	78
Sale proceeds from sale of assets classified as held for disposal		**49,743**	--
Net movement in murabaha term deposits with banks		**2,310,333**	(3,169,612)
Commission income		**56,047**	10,199
Net movement in loan to a related party		**4,275**	3,562
Investment in an associate		**(28,000)**	(235,000)
Loan to an associate		**(344,641)**	--
Net cash from / (used in) investing activities		**1,861,948**	(3,565,167)
Financing activities:			
Net movement in non-controlling interests		**(21)**	1
Long-term loan		--	5,000,000
Net cash (used in) / from financing activities		**(21)**	5,000,001
Net change in cash and cash equivalents		**1,531,682**	1,371,009
Cash and cash equivalents at the beginning of the year		**1,710,716**	339,707
Cash and cash equivalents at the end of the year	4	**3,242,398**	1,710,716

The accompanying notes 1 to 21 form an integral part of these unaudited interim condensed consolidated financial statements.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the year ended December 31, 2012

2012	**Share capital** SR'000	**Accumulated losses** SR'000	**Total shareholders' equity** SR'000	**Non controlling interests** SR'000	**Total** SR'000
	Equity attributable to the shareholders' of the Company				
Balance at January 1	8,500,000	(1,119,604)	7,380,396	4	7,380,400
Net income	--	189,198	189,198	21	189,219
Balance at December 31	**8,500,000**	**(930,406)**	**7,569,594**	**25**	**7,569,619**

2011 (Restated)	Share capital SR'000	Accumulated losses SR'000	Total shareholders' equity SR'000	Non controlling interests SR'000	Total SR'000
	Equity attributable to the shareholders' of the Company				
Balance at January 1	8,500,000	(1,202,158)	7,297,842	5	7,297,847
Net income	--	82,554	82,554	(1)	82,553
Balance at December 31	8,500,000	(1,119,604)	7,380,396	4	7,380,400

The accompanying notes 1 to 21 form an integral part
of these unaudited interim condensed consolidated financial statements.

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 3 Ramadan 1427H, corresponding to September 21, 2006 and registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030164269 dated 8 Ramadan 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 infrastructures, promotion, marketing and sale of land within development areas, transfer/lease of land, development of buildings/housing units, construction on behalf of other parties and development of economic areas. The main activity of the Company is the development of the King Abdullah Economic City (KAEC).

The registered office is located at the following address:

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

As at December 31, 2012, the Company has investments in the following subsidiaries ("collectively described as Group) which are primarily involved in development, investments, marketing, sale / lease, operations and maintenance of properties and establishment and purchase of companies.

Name	Country of incorporation	Ownership interest	
		2012	2011
Economic Cities Investments Holding Company (ECIHC)	Kingdom of Saudi Arabia	**99%**	99%
Industrial Zones Development Company Limited (IZDCL)	Kingdom of Saudi Arabia	**100%**	100%

During the quarter ended December 31, 2012 the Company contributed SR 2.7 billion as additional capital contribution in ECIHC.

2. BASIS OF PRESENTATION

These interim condensed consolidated financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia and the Accounting Standard on Interim Financial Reporting issued by Saudi Organization for Certified Public Accountants (SOCPA).

These accompanying interim condensed 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.

2. BASIS OF PRESENTATION (continued)

Upto September 30, 2012, both ECIHC and IZDLC did not start operations and were immaterial to the overall financial position of the Company. As a result, these entities were not consolidated in the financial statements and the investment in subsidiaries was stated at cost. During the period ended December 31, 2012, the Company made an additional capital contribution in ECIHC as stated in Note 1 above with a view to commence its operations and accordingly, the Company has prepared consolidated financial statements for the period ended December 31, 2012.

In addition to the effects of prior period comparative information relating to investments in subsidiaries, certain other comparative figures have been restated on a basis consistent with current period classification.

The interim results may not be an indicator of the annual results of the Group. These consolidated interim condensed financial statements should be read in conjunction with the latest annual audited financial statements of the Company.

Accounting convention
The interim condensed 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 interim condensed 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 period in which the estimates are revised and in future periods affected. The key areas requiring significant management judgments and estimates are as follows:

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.

2. BASIS OF PRESENTATION (continued)

Use of estimates and judgements (continued)

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 interim condensed 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 or 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 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.

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

Except for the adoption of accounting policy related to the basis of consolidation, as set out below, the following significant accounting policies used by the Group for the preparation of these interim condensed consolidated financial statements are consistent with those used for the preparation of the annual financial statements:

Basis of consolidation
These interim condensed consolidated financial statements include the financial statements of the Company and its subsidiaries. Associates are 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 interim condensed 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 interim condensed consolidated financial statements. Also, any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

Non-controlling interest
The Group applies a policy of treating transactions with non-controlling interest 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 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 / (loss) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 / (loss) 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 accumulated impairment losses, if applicable. Investment properties include buildings which are depreciated over 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 estimated useful lives of the assets.

The estimated useful lives of assets are as follow:

	Years
Buildings	20-30
Furniture and fixtures	4
Motor vehicles	4
Heavy equipment and machinery	5-10
Leasehold improvements	2
Office equipments	3
Infrastructure assets	10-30

Expenditure for repair and maintenance are charged to the interim consolidated statement of income. Improvements that increase the value or materially extend the useful life of the related assets are capitalised.

During the period ended December 31, 2012, the Group re-assessed the useful lives of buildings and infrastructure assets and accordingly, revised the useful lives of these assets from 20 to 30 years. This change has been applied prospectively as required under generally accepted accounting standards. Had there been no change in the estimate, the profit for the year after Zakat would have been decreased by SR 4 million and carrying values of property and equipments would have reduced by the same amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 interim balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate less impairment loss, if any.

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

Other investments (available-for-sale)
After initial recognition, investments purchased neither with the intention of being held to maturity nor for trading purposes are remeasured at fair value. Unrealised gains and losses are reported as a separate component of 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 interim 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.

Deferred contribution
Deferred contributions 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 and transfer of title of land. 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 recognised as revenue upon transfer of risks and rewards of land for the portion that relates to the transfer of land.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits
Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the interim consolidated balance sheet date.

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 Group is required to disclose segmental information, however due to the nature of Group's business operations segment reporting is not applicable to the Group.

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 interim consolidated statement of income as follows:

Sale of property
Revenue on sale of plots of land is recognised on the basis of the 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 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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 interim balance sheet date.

Murabaha term deposits with banks
Income on murabaha term deposits with banks is recognised on an accrual basis.

Cost of revenue
Cost of revenue includes the cost of land, development and other services 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 capitalised 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 interim consolidated statement of income.

Operating leases
Operating lease payments are recognized as an expense in the interim 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 liability is charged to the interim consolidated statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 interim balance sheet date. All differences are taken to the interim 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.

4. CASH AND CASH EQUIVALENTS

	December 31, 2012 SR'000	December 31, 2011 SR'000
Bank balances and cash	**173,698**	40,706
Short-term murabaha deposits	**3,068,700**	1,670,010
	3,242,398	1,710,716

5. MURABAHA TERM DEPOSITS WITH BANKS

Murabaha term deposits with banks amounting to SR 859.3 million (2011: SR 3,169.6 million) represents funds placed with commercial banks at market rates with original maturities of more than three months.

6. DEVELOPMENT PROPERTIES

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 197.5 million, (2011: SR 171.1 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 quarter ended December 31, 2012, the Company has reclassified certain projects, initially identified for sale in their present condition, as projects for long-term lease. Consequently, related cost amounting to SAR 888.1 million, including land of SR 7.6 million, has been re-classified from development properties to investment properties (Note 9).

7. OTHER INVESTMENT

In May 2008, the Group established an entity, Cadre The Economic Cities, LLC (Cadre), which is engaged in human resource management and is incorporated in the Kingdom of Saudi Arabia on Jumad Awal 6, 1429H, corresponding to May 11, 2008. The Group has a 95% holding in Cadre.

During 2011, Cadre entered into the management agreement with Economic Cities Authorities (ECA) whereby management, operations and control of Cadre was assigned to ECA. Accordingly, as the Group will not participate in the management of Cadre and has no longer control over Cadre, therefore, the investment is not consolidated and classified as an available-for-sale investment, disclosed as other investments, and carried at cost which is considered as the fair value.

During the quarter ended December 31, 2012, the Board of Directors of the Company has decided to transfer ownership of Cadre to ECA at a price and time to be mutually agreed in due course of time.

8. LOAN TO A RELATED PARTY

Loan to a related party represents balance of commission free loan receivable from Cadre The Economic Cities, LLC (Cadre), a company incorporated in the Kingdom of Saudi Arabia and engaged in providing human resource management services.

During 2011, the Group signed a Supplement Loan Agreement Term Sheet (SLATS) with Cadre whereby initially agreed loan of SR 20 million was reduced to a commission free loan of SR 9.5 million that had already been released to Cadre in 2010. As per revised SLATS, the loan has quarterly repayments commencing from April 2011, with the last instalment falling due in April 2013. As the loan is repayable on demand, therefore, it has been classified as a current asset.

9. INVESTMENT PROPERTY

The investment properties include the following:

	December 31, 2012 (SR '000)	December 31, 2011 (SR '000)
Greenfield land and associated cost (Note 9.1)	**3,577,026**	3,613,808
Properties under construction (Note 6, 9.2)	**888,074**	--
	4,465,100	3,613,808

9.1 A Greenfield Land measuring approximately 168 million square meters close to the industrial city of Rabigh, North of Jeddah has been earmarked for the master development of the KAEC. This includes land measuring approximately 37 million square meters which has been 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 Group.

9. INVESTMENT PROPERTY (continued)

The specific allocation of Greenfield Land to be used by different projects, which could be for sale or rental, within the development has not yet been completed. Therefore, the Greenfield Land and associated costs amounting to SR 3,577 million (2011: SR 3,614 million) has been classified as investment property. No depreciation has been charged as these comprise only freehold land.

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 16).

9.2 Properties under construction comprise of building and related land. These properties are under construction, therefore, no depreciation is charged for the year.

10. PROPERTY AND EQUIPMENT

Property and equipment includes capital work in progress amounting to SR 3,120 million (2011: SR 3,025 million), which represents construction costs in respect of the infrastructure and other projects at KAEC.

11. INVESTMENT IN AN ASSOCIATE

	December 31, 2012 (SR '000)	December 31, 2011 (SR '000)
Investment	**235,980**	980
Additional capital contribution	**173,000**	380,000
	408,980	380,980

On Jumad 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 is engaged in development, operation and maintenance of the King Abdullah Port at KAEC (the Port). The Port is in its construction stage.

During 2011, the shareholders of PDC entered into an agreement ("Shareholders Agreement") whereby the shareholding structure and funding mechanism of PDC was agreed. As per the terms of Shareholders Agreement, the Group's shareholding in PDC is agreed to be 34%.

To contribute a part of the equity funding under the Shareholders Agreement, the shareholders of PDC entered into another agreement with PDC whereby the Group has further invested SR 408 million including equity of SR 235 million and additional capital contribution of SR 173 million. These were provided in the form of land, infrastructure and other development cost of SR 145 million and cash of SR 263 million including 28 million provided during the period ended December 31, 2012.

12. LOAN TO AN ASSOCIATE

During the year, the Group signed a loan agreement with PDC in accordance with the Shareholders Agreement whereby, the Group has agreed to provide SR 1,000 million commission based loan to PDC, which was approved in the Annual General Meeting held on March 31, 2012. During the year ended December 31, 2012, an amount of SR 338 million was disbursed to PDC which is repayable, with a two years grace period, in seven annual instalments commencing from May 1, 2015. The loan is secured by a promissory note signed by PDC for the full amount of disbursement and by PDC's majority shareholder for its shareholding in PDC. The shareholders of PDC have agreed to convert the outstanding loan extended by the Group into equity shares of PDC on the occurrence of certain events in the future. The loan balance as at December 31, 2012 also includes accrued commission amounting to SR 6.6 million. Subsequent to the year end, the Group provided second tranche of financing amounting to SR 40 million.

13. ASSETS CLASSIFIED AS HELD FOR DISPOSAL

The Group has identified certain assets which are to be disposed off in line with the strategic business plan of the Group. Accordingly, these assets are classified as held for disposal. During the year ended December 31, 2012, the Group partially sold these assets and realised a gain of SAR 0.056 million. At the year ended December 31, 2012, the remaining assets were reviewed for impairment and the management ascertained that no further impairment is required.

14. ACCOUNTS PAYABLE AND ACCRUALS

	December 31, 2012 SR'000	December 31, 2011 SR'000
Accounts payable	**264,187**	601,582
Advance from customers	**236,058**	2,401
Contract cost accruals	**149,044**	225,769
Amount to be donated for charitable purposes (note 14.1)	**69,753**	74,708
Accrued expenses and other payables	**51,416**	41,356
Amounts due to affiliates (note 15)	**70,349**	2,517
Retentions payable	**11,776**	161,001
Zakat payable	**11,371**	11,362
	863,954	1,120,696

14.1 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.

15. 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 management.

In addition to the disclosures set out in notes 7, 8, 11 and 12, related party transactions for the period ended December 31, 2012 and balances are described as under:

		December 31, 2012		December 31, 2011	
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	Payments made and expenses incurred by affiliates on behalf of the Group	--	**(343)**	150	(343)
	Payments made and expenses incurred by Group on behalf of an affiliate	**89**	**89**	1,333	23
	Services provided to the Group	--	**(2,174)**	--	(2,174)
	Advance from an affiliate	**(67,800)**	**(67,800)**	--	--
	Commission income	**6,641**	**6,641**	--	--
Key management personnel	Remuneration	**1,709**	--	5,156	--
Board of Directors	Meeting fee	**2,672**	**(32)**	2,170	(2,170)

16. LONG-TERM LOAN

During 2011, the Group 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 9.1) 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, 2012 also includes accrued commission amounting to SR 167.8 million.

17. SHARE CAPITAL

The authorized, issued and fully paid share capital of the Company consists of 850 million shares of SR 10 each (2011: 850 million shares of SR 10 each).

18. EARNINGS PER SHARE

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

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

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

19. ZAKAT

Charge for the year

The Group has made a provision of SR 5.1 million for the year ended December 31, 2012 (2011: SR 6 million).

Status of assessments

The Company filed the Zakat returns up to the year 2011 and obtained the restricted Zakat certificates.

The DZIT issued Zakat assessments for the period /years ended December 31, 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 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 period/years 2006 to 2011, their view should prevail. No provision is made for the additional Zakat and withholding tax liability in these interim condensed financial statements.

ECHIC has filed the Zakat returns for the period/year ended December 31, 2010 and 2011 and obtained an unrestricted Zakat certificate.

IZDCL has filed the Zakat return for the period ended December 31, 2011 and obtained a facility letter.

20. 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 may be higher than the fee or charges that the Group may be able to charge to its industrial customers. The financial effect, if any, is not currently practicable to estimate.

b) A contractor has filed a case against the Group in relation to an encashment of letter of guarantee for advance payment amounting to SR 138 million, which the Group is contesting due to dispute over deliverables under the contract. The Court has appointed an independent Expert to analyze and report the rights and liabilities of each party towards the other. The Expert has submitted the report to the Court but the Court has not yet announced its decision. The Group is confident of a favourable outcome of the case.

c) Certain customers have filed cases against the Group for refund of amount paid for properties purchased in prior years. These cases are at various stages and the amounts cannot be reliably measured at this stage. However, the management is confident of favourable outcome.

d) The Group had commitments as at December 31, 2012, amounting to SR 441.2 million (December 31, 2011: SR 2,188.3 million) related to future capital expenditure for the development of KAEC.

21. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were authorised to issue by the Board of Directors on Rabi Al Awal 7, 1434H, corresponding to January 19, 2013.