

BOARD OF DIRECTORS REPORT 2014G

FOR THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2014G



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BOARD OF DIRECTORS' REPORT

Ladies and Gentlemen Shareholders in Emaar the Economic City (EEC)

Dears,

It pleases the Board of Directors of EEC to put in your hands the annual report of the Board of Directors for the fiscal year 2014G in order to discuss it and then have it approved in accordance with the applicable procedures. It includes the speech of the chairman and it reviews the company's performance and achievements during the past financial year, in addition to the financial statements and explanations thereof besides the report of the legal auditor for the fiscal year ended on 31/12/2014G.

Besides, the report contains a thorough summary of the company's corporate governance mechanisms and exclusions related to the administration, its committees and senior executives, contracts and transactions with related parties. It also includes representations of the Council.

Based on the keenness of the Board of Directors towards continuous transparency and disclosure in accordance with regulations issued by the concerned authorities as well as the local and international practices in this regard. This report has been prepared to be consistent with the regulations of the Corporate Governance issued by the Capital Market Authority in November 2006 as well as disclosure and transparency requirements contained in Article 27 of the Listing Rules and indicative and the guiding model of the Board of Directors' report prepared by the Capital Market Authority.

FOREWORD BY THE CHAIRMAN OF THE BOARD



Brothers and sisters, shareholders of Emaar the Economic City

Dears,

It honors me to meet you again through this annual detailed report of Emaar the Economic City and I put between your hands the most important developments and achievements in King Abdullah Economic City in addition to the financial results of the company during the past year 2014G.

At the beginning, on behalf of myself and all the employees of King Abdullah Economic City, I convey our sincere condolences to the royal family, the Saudi people and the Islamic nation for the death of the Custodian of the Two Holy Mosques King Abdullah bin Abdulaziz Al-Saud (may Allah have mercy on him) asking God to grant His mercy and we process our pledge of allegiance to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al-Saud and HRH Crown Prince Mughrin bin Abdulaziz Al-Saud and the Crown, Crown Prince Mohammed bin Nayef bin Abdulaziz Al-Saud and wish them continued success in completing the course of construction and development of this country.

Hitherto, I extend my thanks and appreciation to the General Assembly of the shareholders of the company on electing the members of the Board of Directors for the new period, which began its work as of the end of September of the year 2014G for a period of three calendar years and wish everyone continuous success. Praise to Allah, the company over the past year has been able to achieve results that exceeded expectations. The findings come as a interpretation of the development strategy in King Abdullah Economic City and based on the development of the main incentives of economic development in the city, namely the seaport and Industrial Valley Zone. The company also relied on the investment in the projects of infrastructure of the City and polarizing companies and local and international investors to invest and establish industrial and commercial projects and to provide job opportunities in the Economic City as well as to work on the development of a promising residential environment through the provision of many housing solutions for various brackets of income, in addition to the provision of education facilities, healthcare facilities, security and safety services and the establishment of attractive recreational and tourism projects.

The year 2014G witnessed the launch of distinguished residential projects, including two projects of Al-Shrooq suburb and Al-Waha suburb, which are characterized by their designs which are attractive for housing and recreation at competitive prices and appropriate for a wide stratum of society. They have witnessed a strong turnout praise be to Allah, in addition to Murooj Villas and Al Talah Gardens projects. As citizens continued to buy residential plots continued for the fourth year. All this has positively reflected on the financial results of the company as registered by grace of Allah as the highest revenues in its history as well as seen a growth in net sales and profits compared to previous years. The company also completed the awarding of contracts for the building and construction of new projects at an amount of approximately 2 billion Riyals.

FOREWORD BY THE CHAIRMAN OF THE BOARD

We have also thankfully achieved significant achievements in projects that influence the economic wheel in the Economic City in particular and the overall national economy projects in general. In the Industrial Valley, we have polarized more international and local companies in strategic sectors such as the pharmaceutical industry, food and consumer goods, logistics services and construction and building materials. The number of companies which obtained industrial plots reached 93 companies.

In the same context, the company continued the financial and intangible support for the "King Abdullah Port" project for being an incentive key of the economy wheel in the City. The potentials of the port however, have expanded as it can receive and discharge three giant ships at the same time. Praise To Allah, the Port has witnessed since its operation the arrival of more than 380 commercial ships including the giant ships such as (MSC London), which is one of the largest container ships in the world which arrived for the first time in the ports of the Kingdom, in addition to handling more than 511 thousand Standard Container since startup of operations. As the import and export operations also smoothly launched through which we look forward to change the Chart of the local and international logistics services.

The City also witnessed the completion of many infrastructure projects in the area of the Industrial Valley, residential and commercial districts, in addition to hosting of nearly 98 events such as forums, seminars, exhibitions and workshops for various formal and informal sectors throughout the year. We have also Praise to Allah, succeeded to present the City as a new international destination for investment and stimulate the national and social economic development. These efforts culminated by hosting the forum of City Quest for the second time under the slogan of "Linking The New Cities" which is considered the most important and the largest event on the level of modern cities' leaders around the world which witnessed the participation of more than 200 Conversationalists and participants and 20 new cities, which helped to strengthen the leading role of the Kingdom in the formulation of the modern international and economic debate in the development of new cities.

Whereas investment on human is one of our first concerns, the company established the first Career Exhibition at King Abdullah Economic City and put forward 1000 jobs for a number of 25 companies operating in various fields of the City to which 20000 young men and women applied therefore.

In conclusion, I would like to extend to you on behalf of myself and the esteemed members of the Board our sincere thanks and appreciation for your confidence and your support and we wish you and your company more progress and success.

Mohammad Bin Ali Al-Abbar
Chairman of the Board



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 Economic City" a Saudi joint-stock company has been founded under Ministerial Decree No. 2533 dated 3 Ramadan 1427, corresponding to 26 September 2006G. The company operates in the field of land and real estate development in the private economic areas or in others, including the operations of development of basic infrastructures, promotion, marketing and sale of lands owned by the company for developing services or to be possessed by others, rent lands as well as conduct operations of development of buildings and residential units or build constructions on lands for others besides the development of economic areas and sea ports and any other activities necessary to achieve the purposes of the company. The company undertakes the development and implementation of "King Abdullah Economic City", located 90 kilometers north of the City of Jeddah along the Red Sea Coast. The "Economic Cities Authority", which has been approved to be established under the Royal Decree **No. (A/19) dated 10 Rabi Al-Awal 1431H** undertakes the full supervision of the economic cities in order to achieve its goals of localization of the national capital and attract foreign investment and achieve objectives of development plans in the Kingdom.

The project of "King Abdullah Economic City", considered one of the most important and the largest economic projects run by the private sector within the Middle East. The Head Office of the company is located in the main Business Center of King Abdullah Economic City.



THE MOST IMPORTANT ACHIEVEMENTS IN KING ABDULLAH ECONOMIC CITY DURING 2014G

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.

Emaar the Economic City goes ahead in the development of King Abdullah Economic City in accordance with the strategic plan adopted in its Phase I to invest heavily in the necessary infrastructure and basic services. The most important of them are the port and the Industrial Area which aim to attract investors such as companies, factories, commercial and service establishments to the Economic City which leads to the locomotion of the inhabitants to the Economic City, through which grows the demand for various services and real estate products. That strategic plan is based at the current Phase on the following aspects:

1. Continue in the process of development and construction in the Economic City with emphasis on the port and the Industrial Valley as the most important attracting elements for investors in the Economic City and key motivators for urban development.
2. Continue the works to attract companies, factories and commercial institutions to the City which in turn lead to the creation of new jobs within the City and then urge the demand for real estate and services products.
3. Provide many residential products that fit with all segments of society and different income groups including middle and low income through direct development by the company or through real estate development investors.
4. Diversify the base of real estate products offered by the company through the offering of industrial and residential lands for sale and lease in order to accelerate the development wheel in the City and provide the necessary liquidity.
5. Continue to enter into strategic partnerships with private and public sectors in some necessary and mega projects to support and accelerate the construction and development of the Economic City.
6. Take into account the best ways to manage and operate the Economic City and provide services to investors and residents in favorable prices.

This strategy has resulted in pushing the development wheel in the Economic City which now has a vibrant international port operating around the clock, as well as international factories in important fields such as the pharmaceutical industry and housing projects that serve all segments of society, distinctive education projects, besides having a fully integrated infrastructure and distinctive hospitality and entertainment services that serve both residents and visitors.

THE MOST IMPORTANT ACHIEVEMENTS IN KING ABDULLAH ECONOMIC CITY DURING 2014G

The company has offered during the year more than 2,500 units of apartments, villas and residential plots that achieved high turnouts. It also concluded the signature of several contracts of industrial lands with a vast number of industry-leading logistics companies and awarded contracts of building at values having a net of more than 2 billion Saudi Riyals. These results ended up in building the trust and confidence of Saudi and international banks in the company and these are confirmed by financing obtained by the company this year from the British Bank (2 billion Saudi Riyals) and from Alinma Bank (1.25 billion Saudi Riyals).

However, this report sheds light on the latest accomplished projects in the Economic City in accordance with the adopted development strategy. Below is a summary of the most important and the latest of those achievements until the end of the year 2014G.



Al-Haramain Train



Electrical Connection Projects



Road networks, bridges and infrastructure services



International events and conferences



Educational services



The Port



Telecommunications and Technology Projects



Tourism and business services

LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2014G

THE DEVELOPMENT OF RESIDENTIAL AREAS AND LIVING SERVICES

I. THE DEVELOPMENT OF RESIDENTIAL AREAS AND LIVING SERVICES

Coastal districts are considered as a new unique vision adopted by King Abdullah Economic City, which have been designed in a characteristic way to take advantage of all natural features of the place along the sea. The company has managed in 2014G to provide more versatile housing products, which contributed to broaden the base of buyers and investors in the City. Thus there are five residential communities for those who desire to live within King Abdullah Economic City which include the necessary services such as education, health services and shops. Work in residential areas varied according to the following projects:

a) Al-Murooj the coastal residential area

Al-Murooj area is considered the highest-class district in King Abdullah Economic City among the coastal districts and is characterized by its location overlooking the Red Sea and its picturesque beaches and green fields, the international golf course and the sports complex. The company has launched different products in Al-Murooj area during the year 2014G such as plots overlooking the sea and others overlooking the golf course, residential units represented in luxury villas close to the recreational facilities, a shopping center and the World Academy School. Hereunder we enumerate the details of the developmental work in this area:

1. The work shall continue in the construction and implementation of the golf course which is considered as the center of Al-Murooj District and has been designed in accordance with world-class golf courses which include 18 holes and has a sea view. The project value amounted to 85 million Riyals and is being implemented by Cityscape Company Ltd.
2. Construction of the Golf Club Building (Royal Greens) in Al-Murooj area has begun. It is a luxurious club serving members and visitors of the golf course. It has been designed by the European Institute of Design with a project value of 62.7 million Riyals, implemented by Zuhair Ahmed Zahran Company.
3. The company also signed a contract to build the sports complex set up in the suburb of Al-Murooj. It is an integrated health and family complex for the entertainment of the City's residents and will contain pools dedicated for men and others for women, basketball courts, football playgrounds, tennis courts, a bowling alley and other facilities, in a modern atmosphere. The total value of the project is 140 million Riyals and it's implemented by Yasser Yaghmour Establishment for Construction and Maintenance.
4. Regarding the residential units in Al-Murooj district, the structures' construction works have been completed for 147 villas in (Bardera area) in Al-Murooj District (GC2). The villas' final finishing works have been awarded to Marasem Al-Saudia Company at a value of 174 million Riyals.
5. The completion of the infrastructure of area (E1) in Al-Murooj District. It is a residential area with 270 villas and a number of residential lands in addition to a central health club. The works in this area are based on providing it with networks of lighting, water, irrigation and communications, sanitation and rain water drainage as well as asphaltting and paving roads, after some modifications made to the designs. The company has also signed a contract with Qimam Company for contracting and maintenance at a value of 90.60 million Riyals for the implementation of this project.

LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2014G

THE DEVELOPMENT OF RESIDENTIAL AREAS AND LIVING SERVICES

6. The company was determined to complete the construction of 270 residential villas in the housing area in Al-Murooj suburb but it was forced to cancel the contract with Ruwad Civil Construction Company for failing to implement the project according to the timetable. The company will complete the project immediately after the settlement of the legal proceedings with the current contract.
7. Continue the completion of the construction of the commercial center in Al-Murooj District which shall contain a Hyper Panda Supermarket, that has began operation in December 2013G will also host a medical clinic ready for operation by the end of 2015G. The project completion percentage reached 98% and is being implemented by Rafiq Kredaih Establishment valued at 30.5 billion Riyals.
8. The completion of cutting and filling works at Beach Area (2) in Al-Murooj District. The company has signed a contract with Al-Majid Company to implement this project at a value of five million Riyals.
9. The company signed an agreement with Nesma Company at a value of 74 million Riyals for the implementation of the infrastructure works in the Beach Area (2). The project is based on providing the area with network of lighting, water, irrigation besides networks of communications, sanitation and rain water drainage as well as asphaltting and paving roads. However, EEC has terminated the contract signed with Qurmaly Contracting Company for violating the terms of their contract.
10. Continuation of work in the implementation of infrastructure works in the golf area (1) in Al-Murooj District, which will provide the area with networks of lighting, water, irrigation and of communications, sanitation and rain water drainage as well as asphaltting and paving roads. The percentage of completion, reached about 99%. The company has signed a contract with SIMCO Contracting Company valued at 48.56 million Riyals for the implementation of this project.
11. The completion of implementation of some infrastructure works in the Beach Area (1). The company has signed a contract with Rezzig Aljdrawi Contracting Company valued at 6.05 million Riyals for the implementation of this project.

LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2014G

THE DEVELOPMENT OF RESIDENTIAL AREAS AND LIVING SERVICES

b) Al-Waha residential area

Al-Waha District has been developed to offer modern multiple options for family houses. The area consists of several villages linked to each other through valleys, hiking trails and roads. It includes 1700 residential units with a variety of apartments, villas, townhouses, doubled houses and separate villas in several stages. We hereunder enumerate the details of the developmental work in this area:

1. Continuation of work in the construction of Phase I of Al-Waha residential district project, which includes the construction of 650 residential units of apartments and connected and separate villas as well as providing the needed infrastructure for the area. The completion percentage reached about 54%. The company has signed a contract with Rezzig Aljdrawi Company at a value of 313 million Riyals for the implementation of this project.
2. The completion of the works of cutting and filling in Phase II of Al-Waha layout. The company has signed a contract with the Fadul Al-Dahlawi Company at a value of 14.9 million Riyals for the implementation of this project.

c) Al-Shurooq residential area

Al-Shurooq is an ideal place for young families and an appropriate area for those of low-and middle-income, located at short distance from the Industrial Valley and the King Abdullah Port. We enumerate hereunder the details of the developmental work in this area:

1. Continuation of work in the construction of Phase I of the project Al-Shurooq, which includes 1,340 residential units, in addition to providing the entire infrastructure for the plan. The percentage of completion reached 18%. The company has signed a contract with Rezzig Aljdrawi Company valued at 399.99 million Riyals for the implementation of this project.



LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2014G

THE DEVELOPMENT OF RESIDENTIAL AREAS AND LIVING SERVICES

d) Bay La Sun coastal residential area

The Bay La Sun District is considered one of the richest districts in King Abdullah Economic City in terms of population density compared to its area, as it contains luxurious residential, commercial and recreational units and facilities, in addition to the marina area with water channels that will be a springboard for the marina of boats and yachts besides a number of tourism projects. We enumerate hereunder the detail of the developmental works in this area:

1. The company continued the handing over of 116 residential units to the investors and tenants in the Marina (4) buildings after work quality and buildings' safety tests were completed.
2. Start the handing over of 192 residential units to investors and tenants in the Marina (2) buildings after work quality and buildings' safety tests were completed.
3. The completion of finishes in the Marina (3) buildings after Emaar company had signed four contracts with four different contractors for works of internal and external finishes and the infrastructure of the building with a total value of up to 57 million Riyals. The building includes 116 residential units. The company has begun to conduct quality and safety tests in preparation for delivery to investors in the coming months.



LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2014G

THE DEVELOPMENT OF RESIDENTIAL AREAS AND LIVING SERVICES

e) Al Talah Gardens residential area

Al Talah Gardens is characterized by its natural green open environment, which has been supported by all necessary services that provide residents with self comfort and daily needs. It includes various options such as residential units and parcels, noting that the residential units consist of Villas designed according to Arabian and Andalusian styles. We enumerate hereunder the details of the developmental work in this area:

1. It has been agreed with Al Rajhi Construction Company to transfer the contract signed with them for building 179 villas in Al Talah Gardens Scheme (3), with a total value of 191.69 million Riyals, to Al-Araab Company to implement the project after Al Rajhi Company failed to implement the same according to the terms of the contract.
2. The completion of the implementation of infrastructure works of the project of Al Talah Gardens phase (2), which includes residential plots of varying sizes. Works focus on providing networks of lighting, water, irrigation and communications, sanitation and rain water drainage as well as asphaltting and paving of roads. Al-Rajhi Company for Infrastructure Works has been contracted to implement the same at a value of 82.54 million Saudi Riyals, after amending the financial value to 99 million Riyals after following some amendments made to the contract.
3. Continuation of handing over of title deeds to investors of Al Talah Project (1) after the completion of infrastructure projects.
4. Implementation of infrastructure works for Al Talah Gardens (3) project, which includes plots of land of varying sizes. Works focus on providing networks of lighting, water, irrigation and communications, sanitation and rain water drainage as well as asphaltting and paving roads. The contractor began the implementation of the project with a current completion percentage of 9% valued at 148.37 million Riyals and implemented by Rezeg Jedrawi.
5. Implementation of cutting and filling works of Al Talah Gardens projects 4 and 5. The completion percentage reached 50%. The works are being implemented by Fadul Al-Dahlawi Company at a value of 8.9 million Riyals.



Progress Photos of Al Talah Gardens



LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2014G THE PORT AND THE INDUSTRIAL VALLEY

II. THE PORT AND THE INDUSTRIAL VALLEY

King Abdullah Port is considered as one of the largest port projects that are currently being developed at the local and international levels, while the Industrial Valley culminates the rapid movement in the City as the investment from international and local companies exceeded 11 billion Saudi Riyals.

After the start of the port and the Industrial Valley in a balanced manner, the City turned into an international center for industry and logistics services. From the operational side of the port, operation continues by the frequent arrival of more than 380 commercial ships, including the giant ships such as (MSC London), which is one of the largest container ships in the world which arrived for the first time in the ports of the Kingdom, in addition to handling more than 511 thousand TEUs since the launch of operations. Imports and exports also smoothly launched and King Abdullah Port became able to accommodate three giant ships at once. In terms of current development phase it has completed the construction of 1,450 meters of wharfs and operated 1,150 meters of them in addition to continuing of development works within the port, in which land constructions completion percentage reached 72% and marine construction reached 97%. Nevertheless, Port Development Company has signed three contracts with Huta Marine works for a total value of almost 2 billion Saudi Riyals to implement three projects in King Abdullah Port at Economic City, which include the completion of drilling works at the port and the development of wharfs on the north side, as well as the development of wharf on the south side.

Excavation work are still ongoing in the port and commenced expansion at the south side for the development of wharfs to receive commercial vessels, as well as the development of bulk-material wharfs and vehicles wharfs (Ro-Ro).

LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2014G THE PORT AND THE INDUSTRIAL VALLEY

On another level, it's worth mentioning that the share of Emaar Economic City in the ownership of Port Development Company which the shareholders in the general extraordinary assembly held on 5 Ramadan 1435H corresponding to 03 2014G to increase the capital to SAR 5.210.000.000 (five billion two hundred and ten million Saudi Riyals), so that the share of EEC become SAR 2,605,000,000 (two billion six hundred and five million Saudi Riyals), which is equivalent to 50% of the capital of Port Development Company and the share of Huta Marine be SAR 2,604,940,000 (two billion, six hundred and four million, nine hundred and forty thousand Saudi Riyals) which is equivalent to 49.99% of the capital.

The Ministry of Transportation awarded Al-Harbi Contracting Company a contract to link King Abdullah Port to Jeddah-Yanbu Highway at a value of 123 million Riyals to keep up with the volume of traffic to and from King Abdullah Port, which will be the largest in the Kingdom upon completion of all its stages.

As for the Industrial Valley; the vision thereof is based on its aim to be the preferred regional center for international transformational manufacturing and logistic services with added-value, as well as to effectively contribute to the create employment and economic development opportunities for the Kingdom. The number of companies contracted with in the industrial valley reached 93 national and international companies in various sectors such as pharmaceutical, food commodities, consumer goods and logistics services, plastic industries, construction materials and vehicles sectors. Production started at 7 manufacturing facilities while 17 others are under construction and the overall developed and serviced area in the Industrial Valley reached about 3.7 million square meters. The developments and achievements in this sector are as follows:

LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2014G

THE PORT AND THE INDUSTRIAL VALLEY

a) Industrial Valley - Phase I

1. The completion of the project of infrastructure Phase I (B) of the Industrial Area on a space of 2.1 million square meters with a contract cost of 91 million Riyals. The project provided the Industrial Area Phase I (b) with the whole infrastructure in terms of asphaltting and road lighting, land extensions of the sewage network, agriculture irrigation networks, drinking water and drainage networks and channels of rainwater collection in addition to the power supply and communications networks.
2. Continuation of work in the implementation of Phase I and II of the construction workers' accommodation village in phase I of the Industrial Area. The completion percentage reached about 18%. The company has signed a contract with Crete House Design Construction Co. at a value of SAR 89.50 million Riyals for the implementation of this project which can accommodate 2500 workers in King Abdullah Economic City.

b) Industrial Valley - Phase II

1. Work has been completed in earth cutting and filling operations in the Industrial Area - the phase II parts 2.1, 2.2 and 2.5 with an area of up to 12 million square meters. The company has signed the following contracts with: Al-Harith Contracting Co at a value of 80 million Saudi Riyals and with Bin Laden Company at a value of 51 million Saudi Riyals and with Fadul Al-Dahlawi Establishment at a value of 39 million Saudi Riyals.
2. A contract for the operations of cutting and filling in the Industrial Area Phase II section 2.3 and 2.4 with an area reaching up to eight million square meters at a value of 49.8 million Riyals has been awarded to Al-Harith for Contracting Company.
3. Continuation of work in the implementation of infrastructure projects in the Industrial Area - Phase II, which which provide the Industrial Area - Phase II with a full infrastructure including asphaltting and lighting the roads, land extensions of the sewage network, agriculture irrigation networks, drinking water networks and drainage and channels of rainwater collection in addition to the electric power and communications networks. The company has signed a contract to implement this project with Nesma Company at a value of 310.80 million Riyals on an area reaching up to eight million square meters. The percentage of completion in the project reached 8%.
4. Continuation of work in the construction of rainwater channels stretching over 10.7 km, so as to protect the Industrial Area - Phase II against external torrents. The company has signed a contract with Saudi Bin Laden Group, at a value of 14.6 million Riyals for the implementation of this project.
5. Continuation of work in the implementation of the main roads project No.2 inside Phase II in the Industrial Area and linking them to the main entrances of the City. The company has signed a contract with Bin Laden Group at a value of 157 million Riyals for the implementation of this project. The completion percentage reached 26%.

LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2014G

THE PORT AND THE INDUSTRIAL VALLEY

c) Industrial Valley - Phase III

After the strong turnout towards the first and the second Industrial Areas, the company launched the third Industrial Area. The design of the plan of this area has been completed on an area of 7.5 million square meters. It is characterized by its proximity to the port. The company has signed a contract with Saud Al Subhi and Partners Co. at a value of 22 million Riyals for the implementation of cutting and filling works in parts of the third Industrial Area. The engineering maps for the construction of the area's infrastructure are under preparation.

d) Re-exporting Area

After the port has began its commercial operation it became necessary to provide complementary logistics services for King Abdullah Economic City to become a regional center for shipping and distribution services. Hence, the company launched the re-export area adjacent to the port area, which will provide land and facilities assigned for logistics services within the customs area in the port. The company has signed a contract with Pivotal International Company for the implementation of the final design of the re-export area in the Industrial Area at a value of 4 million Riyals. Work is currently taking place with the concerned parties to develop the regulations for this area in order to start the construction works during 2015G.



The Bay La Sun District is considered one of the richest districts in King Abdullah Economic City in terms of population density compared to its area, as it contains luxurious residential, commercial and recreational units and facilities.



البيلسان
BAY LA SUN

LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2014G

MAJOR INFRASTRUCTURE PROJECTS

III. MAJOR INFRASTRUCTURE PROJECTS

The company had a great concern to link the various projects within the City with the main roads and infrastructure, in addition to what has been constructed over the past years as the company has initiated the conclusion of contracts to construct two major roads within the City: the first to link Al-Haramain train station with the main road and the second to link the second Industrial Area with the road network within the City. The most prominent projects are as follows:

1. Continue the works in the implementation of cutting and filling on the road linking Al-Haramain train station and the main road within the City. The percentage of completion in the project reached 95%. It's worth mentioning that Emaar Economic City has signed a contract to implement this project with Saud Al Subhi Establishment and partners at a value of 18.92 million Riyals.
2. The contract of the infrastructure and asphaltting of the road linking Al-Haramain Train Station and the main road in the City has been awarded to Al-Harbi Contracting Company at a value of 77 million Riyals.
3. The preliminary design for the natural gas distribution network within the City has been completed. The company has also signed a contract with Mustang HDB Company to conduct a detailed design at a value of 3.6 million Riyals.
4. Work on the afforestation and decoration of the public corniche. The company has signed a contract with Rawabi Fayfa Company at a value of 3.61 million Riyals for the implementation of this project.

IV. ELECTRICITY CONNECTION PROJECTS

1. Continue the implementation of the expansion project of a 380 Kilo-Volt station to add transformers to generate 500 megawatts assigned for the Economic City. The completion percentage reached about 44%. EEC has approved an amount of 175 million Riyals as the share of the company in the cost of the project. From their end, the Saudi Electricity Company contracted with (ABB) for the implementation of this project to have the electricity carry out full supervision over the project works.
2. Continue the implementation of a sub-station in the Industrial Area in King Abdullah Economic City to convert the power to 110 volts. The completion percentage reached 65%. EEC has signed a contract with (ABB) at a value of 85 million Riyals for the design and implementation of this project.
3. Continue the construction of power transmission lines with a capacity of 110 KVA between the 380 Kilo-Volt station and the substation within the Industrial Area. The completion percentage reached 44.4%. Emaar has signed a contract with Al-Sharif Group at a value of 35 million Riyals for the construction of this project.

LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2014G

COMMUNICATIONS AND IT PROJECTS

V. COMMUNICATIONS AND IT PROJECTS

Etihad Etisalat Company (Mobily) continued the implementation of Phase I of linking the communication network within King Abdullah Economic City with the fiber optic network. Thereby it has completed linking the two switchboards from the Industrial Area switchboard to the switchboard at Bay La Sun with a length of 15.6 km by using a fiber optic cable through (DWDN) technology. Mobily has completed the implementation of 17 km as a first link that extends from the Industrial Area to the Bay La Sun area which contains ground channels and cabling besides optical fibers, as well as completed the implementation of 21 km from the second link, which extends from the main gate of the City to the Bay La Sun area and contains ground channels and extensions besides the fiber optic network.

Works are still going on the establishment of switchboards services distribution points. The completion percentage reached 98% for the switchboard of the Industrial Area and 96% for the switchboard of Bay La Sun. The number of users of optic FTTH services has also been increased, besides the completion of the installation and operation of 7 towers for mobile phone services within the City, in addition to running fourth-generation services (4G) inside the Bay La Sun area.



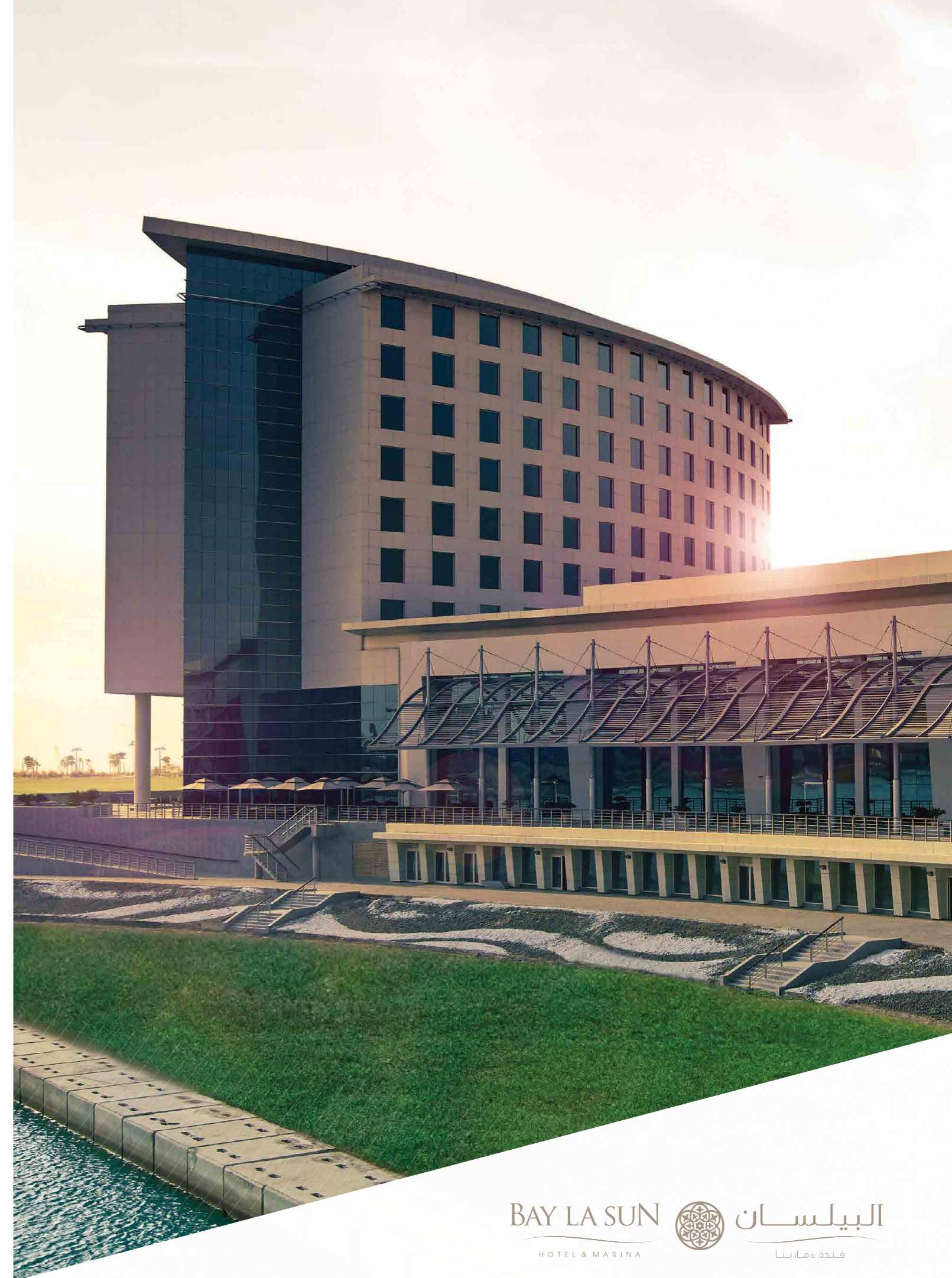
LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2014G

TOURISM AND BUSINESS SERVICES

VI. TOURISM AND BUSINESS SERVICES

The year 2014G witnessed a high turnout of citizens and residents visiting King Abdullah Economic City and the opening of the first hotel in the City (The Bay La Sun Hotel & Marina) to attract large companies and government authorities to carry out their annual meetings and workshops in the Economic City in a distinctive ambience with services that are comparable to the best hotels. The developments and achievements in this sector were as follows:

1. The Bay La Sun Hotel and Marina obtained the award of the best hotel in the Kingdom for the year 2014G.
2. The Bay La Sun Hotel and Marina hosted in 2014G about 98 events of various kinds - such as workshops, training courses, forums and seminars as well as meetings of the boards of directors of a large number of governmental agencies, private companies and international bodies.
3. Continue the planting, landscaping and equipping of sports facilities in Juman Park of the Bay La Sun Hotel. The completion percentage in this project reached 22%. The company has signed a contract with Alamal Aljadeed Est of a total value of 43.5 million Riyals for the implementation of this project. The project's financial value has been adjusted to 44.4 million Riyals after additions were made to the overall design and the insertion of some new facilities.
4. The company has appointed an international consultant to develop a comprehensive/master plan for the development of the tourism sector in King Abdullah Economic City.
5. The company signed a memorandum of understanding with NPS Company to establish a new company to carry out the development of the boats and yachts marina in Phase I, which will enable the marina to host events and marine racing sports, as well as be ready to receive 90 boats of different sizes.
6. Complete the development of the Office Business Bay Area spanning over a final area of about 120 thousand square meters. The company has begun the occupation of a number of buildings in the area which now include Emaar the Economic City offices in addition to the buildings of the Economic Cities Authority. The company has leased office and commercial spaces in the Business Bay Area for a number of service providers besides the continuation of landscaping works and planting of public utilities in the Business Center. The completion percentage reached about 72%. The company has signed a contract of a total value of 35 million Riyals with Zeid Al-Hussein Establishment to implement this project.
7. The company has signed a number of leases contracts for various commercial stores including restaurants, cafes and shops for retail selling in different areas of the City, including the series of Steak House restaurants, Fire Grill, Biato and Burger King as well as Berts cafe.
8. The existence of the Al-Haramain Train Station inside the City will help increase the inflow of tourists to the City knowing that the construction works are ongoing and being implemented by the Ministry of Transport to connect Al-Haramain train alignment between Makkah and Madinah via Jeddah and King Abdullah Economic City. The Haramain train will play an important role in stimulating urban and commercial traffic in King Abdullah Economic City by strengthening the link between Makkah and Al-Medina Almunawara, which together form the largest residential gathering in the Kingdom and in the Gulf area with a total population of more than 8.5 million people, as the train will reduce in a big way the travelling time between King Abdullah Economic City and the City of Jeddah, whereby the journey time by train to King Abdulaziz International Airport takes about 25 minutes. On the other hand, the train will contribute to the consolidation of the Economic City as an important tourist and entertainment destination along the Red Sea coast and in the vicinity of the Two Holy Mosques, with a great capacity to attract and host pilgrims and visitors. The trial operation of the train is expected to occur in 2015G.



LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2014G

THE PROJECTS OF EDUCATIONAL SERVICES

VII. THE PROJECTS OF EDUCATIONAL SERVICES

King Abdullah Economic City pursues a policy that makes all levels of education the cornerstone of the future and an essential platform to build future plans. Therefore, the City gives education a special attention by providing diversified and high-quality educational services. Such attention appears through the review of the following developments:

1. The completion of works on the project of expansion of the World Academy School buildings. The completion percentage reaching 100%. The company has signed a contract with Rafiq Credeiah Company at a value of 7.26 million Riyals for the implementation of this project.
2. The number of students in The World Academy School reached 292 Students (Boys and Girls) in the second academic year. The school is ran by GEMS international company pursuant to a license granted by the Ministry of Education.
3. Emaar Knowledge Ltd Company has been established to oversee the implementation and operation of the university intended to be established in King Abdullah Economic City, starting with the College of Entrepreneurship College in cooperation with Babson University. Currently, the design works of the college buildings are being completed beside getting the necessary licenses for the implementation and operation of the college during the year 2015G. The project is a joint initiative with the American Company, Lockheed Martin within the economic balance program, supervised by the Ministry of Economy and Planning.
4. The company signed a contract with Al Khaleej Training and Education Company to lease a land of an area of 20.445 square meters in Al Talah Residential District at King Abdullah Economic City to build model schools with a capacity of 2500 students (Boys and Girls) and the process of building is expected to take two years provided operations start in 2017G.

VIII. INTERNATIONAL EVENTS AND CONFERENCES

1. King Abdullah Economic City hosted the events of (City Quest) 2014 forum in its second session, under the slogan of (Connecting the New Cities) in collaboration with the New Cities Foundation and the participation of more than 200 city leaders from more than 35 countries and the event is considered the first of its kind worldwide to focus on new cities projects.
2. The company has set up the First Career Day event over 3 consecutive days in King Abdullah Economic City with the participation of 25 companies from various industries within the Economic City (pharmaceutical, food, tourism and hospitality, port management, automotive industry companies and others) and the mobilization of young men and women to attend this forum.
3. King Abdullah Economic City hosted the small projects program events which were organized in partnership with His Royal Highness the Duke of York, the owner of the (Pitch @ Palace 2014) program, as part of its programs to attract entrepreneurship projects to the King Abdullah Economic City.



The World Academy
A GEMS GLOBAL NETWORK SCHOOL

LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2014G

RESOLUTIONS AND OTHER DEVELOPMENTS

IX. RESOLUTIONS AND OTHER DEVELOPMENTS

a) Emaar the Economic City held the ninth regular General Assembly on Monday, 7th of Jumadah Althani 1435H, corresponding to April 7, 2014G through which it approved the following resolutions:

1. The approval of the Board of Directors Report for the fiscal year ending December 31, 2013G.
2. The approval of the company's financial statements and the auditor's report for the financial year ending December 31, 2013G.
3. The approval to the sale of an industrial land located in the second industrial zone to Alrueya Almomaiza Ltd for Real-estate Co. in which the board member of Emaar the Economic City, Mr. Mohammad Yousuf Mohamed Naghy occupies the position of Chairman of the Board, with the amount of 297.242.460 (two hundred and ninety seven million two hundred and forty-two thousand four hundred and sixty-Riyals) for a total area of 1,100,898 square meters.
4. The approval to the sale of an industrial land in the second industrial zone to Halwani Ekhwan company, in which the board member of Emaar the Economic City, Engineer Abdulrahman Rwaita, occupies the position of Chairman of the Board for the amount of 44.925.000 (forty-four million nine hundred and twenty-five thousand Riyals) for a total area of 149.750 square meters.
5. The approval for the lease of building No.3 in the Business Center in favor of the Saudi Airline in which the board member of Emaar, Eng. Khalid Al-Melhem, occupies the post of General Director by a contract of 25 years and for an area of 14,817 square meters at a price of 750 Riyals per meter with an increase every five years.
6. The approval to the sale of two industrial lands in the second industrial zone in favor of the Saudi Arabian Airlines Company, in which the board member of Emaar, Eng. Khalid Al-Melhem, occupies the post of General Director, for a total of 6.1557 million (six million, one hundred and fifty-five thousand seven hundred Riyals) and an area of 20,519 square meters.
7. The approval of leasing of two industrial lands in the first industrial area in favor of the Saudi Airline Co. in which the board member of Emaar, Eng. Khalid Al-Melhem, occupies the post of General Director by a contract of 25 years for a total area of 20,519 square meters and with no cost of money to construct the new data center for the Saudi Airlines.
8. The approval to the costless leasing of a commercial store with an area of 925 square meters for a period of five years to SABB Bank in which the board member of Emaar, Eng. Khalid Al-Melhem, occupies the post of board member, for the opening of one of its branches.
9. The approval to the sale of a residential land to the member of the Board of Directors Mr. Faisal Al-Mubarak for the amount of 1.799.888 (one million seven hundred and ninety-nine thousand eight hundred and eighty-eight Riyals) for the area of 997 square meters.
10. The approval to the sale of a residential land to the member of the Board of Directors Dr. Faisal Al-Mubarak for the amount of 1.845.888 (one million eight hundred and forty-five thousand eight hundred and eighty-eight Riyals) for the area of 1.025 square meters.
11. The approval to the sale of a residential land to the member of the Board of Directors Mr. Fahd bin Abdul Mohsen Al Rasheed for the amount of 2.170.888 (two million, one hundred and seventy thousand eight hundred and eighty-eight Riyals) for the area of 1.755 square meters.

LANDMARK ACCOMPLISHMENTS AT KING ABDULLAH ECONOMIC CITY DURING THE YEAR 2014G

RESOLUTIONS AND OTHER DEVELOPMENTS

IX. RESOLUTIONS AND OTHER DEVELOPMENTS (CONTINUED)

12. The approval to the sale of a residential land to the member of the Board of Directors, Engineer Khalid bin Abdullah Al-Melhem, for the amount of 3.723.888 (three million seven hundred and twenty-three thousand eight hundred and eighty-eight Riyals) for the area of 2.721 square meters.
13. The approval to the sale of a residential land to the member of the Board of Directors Engineer Khalid bin Abdullah Al-Melhem for the amount of 2.291.888 (two million two hundred and ninety-one thousand eight hundred and eighty-eight Riyals) for an area of 1.894 square meters.
14. The approval to the sale of a residential land to the member of the Board of Directors Mr. Abdullah Saleh Abdullah Kamel for amount of 7.989.888 (seven million nine hundred and eighty-nine thousand eight hundred and eighty-eight Riyals) for an area of 2.664 square meters.
15. The approval to the sale of a residential land to the member of the Board of Directors Mr. Abdullah Saleh Abdullah Kamel for amount of 16.439.888 (sixteen million four hundred and thirty-nine thousand eight hundred and eighty-eight Riyals) for an area of 3.320 square meters.
16. The approval to the sale of a residential villa to the board member Mr. Fahd bin Abdul Mohsen Al Rasheed worth 4.178.072 (four million, one hundred and seventy-eight thousand and seventy two Riyals) and with an area of 1.808 square meters, according to the program of employee ownership in Emaar the Economic City.
17. The approval to extend the contract of Arab Turner for Project Management for an additional year worth 20 million Riyals, in which Emaar owns a 50% share and is represented on the board of Emaar the Economic City by Mr. Mohamed bin Ali Alabbar.
18. The approval to the selection of the auditor among the candidates nominated by the Audit Committee to review the financial statements for the fiscal year 2014G and specify his remuneration.
19. The discharge of the members of the Board of Directors for the financial year ending December 31, 2013G.

b) Emaar the Economic City held its tenth regular General Assembly on Monday 4 Shaaban 1435H corresponding to June 2, 2014G, during which it approved the following resolutions:

1. The approval to the selection of the members of the Board of Directors during its new duration, from September 26, 2014G and until September 25, 2017G and they are as follows:
 - Mohamed Ali Alabbar (Emirati nationality)
 - Abdullah Saleh Kamel (Saudi nationality)
 - Fahd bin Abdul Mohsen Al Rasheed (Saudi nationality)
 - Ahmad Jamal Jawa (Saudi nationality)
 - Khalid bin Abdullah Al-Melhem (Saudi nationality)
 - Abdul Rahman Ibrahim Rwaitaa (Saudi nationality)
 - Mohammed bin Yusuf Mohamed Naghi (Saudi nationality)
 - Faisal bin Abdul Aziz Mohammed Al Mubarak (Saudi nationality)
 - Abdullah Jamil Abdullah Taibah (Saudi nationality)
2. For the first time the company has used the electronic voting system for shareholders
3. through Tadawlaty services provided by the Saudi Capital Market (Tadawul).

3RD THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

1. THE COMPANY'S FINANCIAL RESULTS

a) Annual Income Statements for the Years 2010G to 2014G

	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	For the 12-month period ending on 31 December 2014G (audited) in thousands of SR
Revenues	90.928	407.724	545.182	833.452	1,064,342
Cost of revenues	(154.652)	(96.108)	(66.728)	(128,786)	(336.626)
Loss/gross profits	(63.724)	311.616	478.454	704,666	727.716
Marketing, general and administrative expenses	(526.394)	(186.833)	(259,056)	(422,765)	(301.660)
Commission of bank deposits and deposits on the basis of resale of profits	2,134	19.576	53.788	37,144	13.873
Financing burdens	-	(60.855)	(88.883)	(83.066)	(54.951)
Other income	10.126*	5.060	6,913	68,439**	20.444
Zakat prescribed by the Shari'ah	(5.955)	(6.011)	(5.073)	(31.112)	(26.600)
Net income prior to non-controlling equity	583.813	82.553	186,143	273.306	378.822
The net share of non-controlling equity	-	1	(21)	(247)	856
Net (loss)/Income	(583.813)	82.554	186.122	273.059	379.678
(Loss)/Earnings per share (SR)	(0.69)	0.10	0.22	0.32	0.45

*Includes 9,364 Thousand Riyals financial profits from disposal of assets.

**Includes 58,635 Riyals financial profit on disposal of investment Real-Estates.



THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

THE COMPANY'S FINANCIAL RESULTS

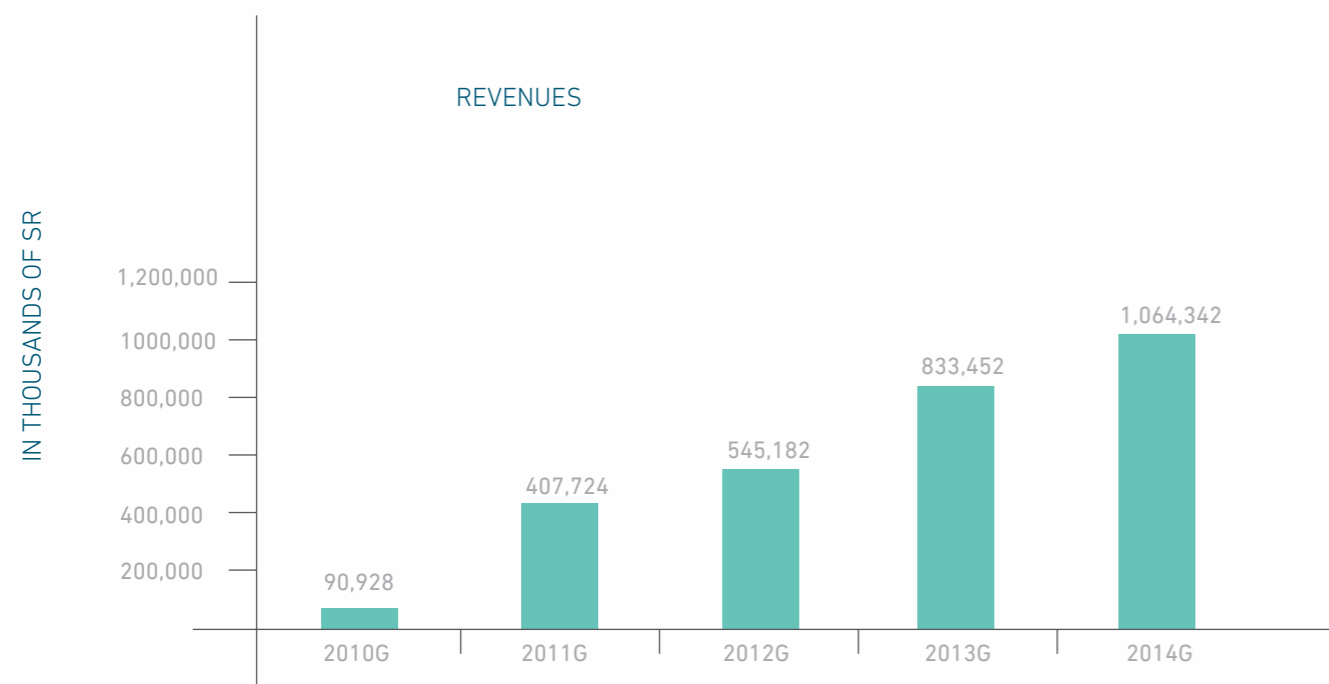


Chart showing the Company's revenues in the past five years.

b) The interim balance sheet by December 31 for the years from 2010G to 2014G

	2010 in thousands of SR	2011 in thousands of SR	2012 in thousands of SR	2013 in thousands of SR	2014 in thousands of SR
Current assets	1,563,794	6,005,133	4,822,003	4,443,358	4,382,678
Recruited assets	7,313,421	7,741,207	9,055,839	9,903,093	11,823,454
Total assets	8,877,215	13,746,340	13,877,842	14,346,451	16,206,132
Current liabilities	1,434,197	1,120,696	863,954	685,665	1,636,953
Non-current liabilities	145,154	5,245,244	5,450,628	5,824,222 million	6,353,786
Total equity	7,297,864	7,380,400	7,563,266 million	7,836,566	8,215,393
Total liabilities and ownership rights	8,877,215	13,746,340	13,877,842	14,346,451	16,206,132

THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

THE COMPANY'S FINANCIAL RESULTS

c) Operating results for the year ending 31 December 2014G compared with 2013G

	2013G in thousands of SR	2014G in thousands of SR	Changes in thousands of SR	Percentage of change
Revenues	833.452	1,064,342	230.890	28%
Cost of revenues	(786,128)	(336,626)	207.840	161%
Total operating profit/loss	704.666	727.716	23.050	3%
Major business expenses	(765,422)	(301,660)	(121,105)	(29)%
Profit/loss on main operations	281.901	426.056	144.155	51%

Revenue amounted to 1,064,342 thousand SAR in 2014G according to accounting standards and policy for the achievement of revenue in the company compared to 833.452 thousand SAR for the year 2013G an increase of 28% due to the completion of the sale procedures of the entire land of the port to Ports Develop Company, in addition to the change in the estimated cost of a residential project.

Net profit in the year 2014G amounted to 379.678 thousand SAR compared to 273,059 thousand SAR for the year 2013G, with an increase of 39% is due to several factors, including the decline in the total expenses of the current year compared to the previous year, which includes an impairment loss in the value of assets.

d) The list of government payments for the period of the twelve months ending December 31, 2013G compared with the year 2014G:

	2013G in thousands of SR	2014G in thousands of SR
Zakat	5.524	6.268
Foreign work contracts tax	-	-
Social Insurance	5.218	6.909
Government fees (visa and re-entry visa, and work permits)	552	586
Financial contribution in the Economic Cities Authority programs	7,500	7,500

THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

PROFIT DISTRIBUTION POLICY - LOANS

2. PROFIT DISTRIBUTION POLICY

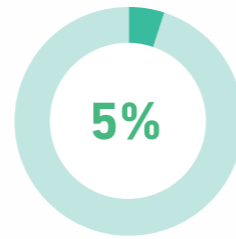
The company is committed that the Board of Directors will set a clear policy for the distribution of the Shares' profits in a way to achieve the interests of the shareholders and inform them of this policy in the General Assembly meeting, which in turn will approve the profits proposed for distribution and the date of distribution and the eligibility of profits, whether in cash or bonus shares to the registered shareholders in the securities depository at the end of the trading day of the General Assembly. The Article of association of the company states that the distribution of the annual net profits after deducting all general expenses and other costs as follows:

- 10% of net profits shall be set aside towards the 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 the 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 the 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's 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 the 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

THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

THE COMPANY'S FINANCIAL RESULTS

3. LOANS

- During the year 2011G EEC got a direct loan from the Ministry of Finance amounting to five billion Riyals dedicated to financing the required infrastructural projects in the city and will be repaid in ten years with a period of exemption of three years followed by seven installments starting on July 1, 2015G. The company has provided guarantees in exchange for the loan represented by the mortgage of a land of a total area of twenty-four million seven hundred and fifteen thousand and four hundred and twenty-three square meters.
- During the year 2014G, the company signed an Islamic financing agreement (financing resale of profit) at a rate of commercial earns with SABB worth 2 billion Saudi Riyals and will be repaid in semi-annual installments starting June 30, 2018G to December 31, 2021G. The company has provided guarantees in exchange for the funding represented by the mortgage of Emaar's shares in the Ports Development Company in addition to order bond worth 2.500 million Saudi Riyals.
- During the year 2014G, the company signed an Islamic financing agreement (financing of resale of profit) with Al-Inma Bank amounting to 1.250 million Saudi Riyals, for a period of 8 years and with a grace period of 3 years. The company has provided guarantees in exchange for the funding represented by a freehold land in the King Abdullah Economic City in addition to bond order worth 1.250 million Saudi Riyals.



THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

THE BOARD

4. THE BOARD

a) Composition of the Board by 31 December 2014G

According to Article 16 of the Articles of Association of the company, the number of members of the Board of Directors is 9 members, which is consistent with clause (a) of Article (12) of the Corporate Governance Regulations issued by the Capital Market Authority and where the membership of the members of the Board of Directors expired for the previous session on 25/09/2014G for a completion period of three years from the date of appointment of the previous session. Accordingly, a Board of Directors has been elected for the new session, which began on 26/09/2014G for a period of three calendar years and all of them are non-executive members and independent (except for the post of Managing Director which is an executive position). The following are the members of the Board and the classification of their membership in accordance with the standards of corporate governance issued by the Capital Market Authority, as well as the corporate companies in which they are still 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

THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

THE BOARD



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

THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

THE BOARD

b) Board meetings by 31 December 2014G

The Board of Directors held four meetings during the fiscal year 2014G as follows:

	06/06/1435H April 7, 2014G	26/07/1435H May 26, 2014G	27/11/1435H September 22, 2014G	14/12/1435H December 9, 2014G
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	✓	✓	✓	✗

We can see from the table that the Board of Directors has held three meetings in the last session and a single meeting in the new session, which began on September 26, 2014G for a period of three calendar years.

c) Board Committees:

In the framework of corporate governance, the following major committees stem from the Management Board: The Executive Committee, the Auditing Committee and the Nomination and Remuneration Committee.

1. The Executive Committee:

The Executive Committee consists of four members who are granted the powers of this committee by the Board of Directors and entrusted with multiple responsibilities including: overseeing the implementation of the overall strategy of the company, setting up the company's budget, monitoring the operational and financial performance of the company and reporting to the Board of Directors for financial and strategic matters and whatever is related to them. This committee comprises the following members:

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

THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

THE BOARD

The committee held six meetings during the fiscal year 2014G, as follows:

	Abdulrahman Al-Ruwaitaa	Khaled Al-Melhem	Fahd Al-Rashid	Abdullah Taibah
06/06/1435H April 7, 2014G	✓	✓	✓	✓
21/06/1435H April 22, 2014G	✓	✓	✓	✓
26/07/1435 May 26, 2014G	✓	✓	✓	✓
27/11/1435H September 22, 2014G	✓	✓	✓	✓
14/12/1435H October 9, 2014G	✓	✓	✓	✓
29/02/1436 December 22, 2014G	✓	✓	✓	✓

We can see from the table that the committee has held four meetings in the last session and two in the new session, which began on September 26, 2014G. Note that the members of the committee have not changed and remain as they are.

2. Auditing Committee

The Auditing Committee is formed of three members, including two non-executive members of the board of directors and a third member from outside the board and who specializes in financial and accounting matters. The duties of the committee are to study the system of internal control and supervise the internal audit in the company's management in order to verify their effectiveness in business implementation of as specified by the Board of Directors. The committee is also responsible of the study of the internal audit reports and the follow-up of the implementation of corrective procedures for the remarks contained therein. The committee also gives its opinion and makes its recommendations to the General Assembly to appoint and dismiss the legal Auditors, approve their fees, ensure their independence and carry on with their work along with a study and review of the auditing plan with the legal auditor, in addition to studying his remarks on the financial statements of the company and following up on them with the study of the annual and preliminary financial statements prior to submission to the Board of Directors. The committee will also study the accounting policies adopted and give its opinion and recommendations to the Board of Directors as well as evaluate the effectiveness of the company's estimation of the major risks and the procedures taken by the company's management to monitor and confront these risks. The following table shows the names of the members of the committee of at 31 December 2014G:

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

THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

THE BOARD

The Auditing Committee has held four meetings in fiscal year 2014G, they were as follows:

	Khaled Al-Melhem	Faisal Al-Mubarak	Alaa Al-Jabri
22/04/1435H February 23, 2014G	✓	✓	-
15/06/1435H April 16, 2014G	✓	✓	-
17/09/1435H July 15, 2014G	✓	✓	✓
29/02/1436H December 22, 2014G	✓	✓	✓

We can see from the table that the Auditing Committee has held three meetings in the last session and a single meeting in the new session starting on September 26, 2014G. Note that all the members have not changed.

3. Nominations and Remunerations Committee:

The Nominations and Remuneration Committee was activated in 2010G. It is formed of two non-executive members and one independent member of the Board of Directors. The responsibilities of the Nominations and Remunerations Committee include recommendations to the Board of Directors by nomination for the membership of the board in accordance with the approved policies and standards, considering not to nominate anyone who was previously convicted of a crime involving moral turpitude. The committee is also responsible of as the annual review of the required needs of the appropriate skills to the membership of the Board of Directors and the preparation of a description of the capabilities and qualifications required for the membership of the Board of Directors, including the the amount of time that the member needs to allocate to carry out the Board of Directors' responsibilities.

The committee's responsibilities also include checking on the structure and formation of the board and making recommendations regarding possible changes as well as identifying weaknesses and strengths in the Board of Directors and proposing processes in accordance with the company's interest. Also, the committee has to ensure, on an annual basis, of the independence of the independent members and the absence of any conflict of interest if the member serves on the board of another company, as well as to develop clear policies for the compensation and remuneration of directors and senior executives, taking into account criteria that are linked to performance. Finally, the committee is responsible of the preparation of periodic and annual reports about its work and the annual disclose report according to the system and submit them to the Board of Directors. The following table shows the names of the members of the committee as of 31 December 2014G:

Name	Position
Professor Ahmad Jawa	President
Professor Mohammad Naghi	Member
Professor Abdullah Taibah	Member

THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

THE BOARD

The nomination and Remunerations Committee has held three meetings during the fiscal year and they were as follows:

	Ahmad Jawa	Mohammad Naghi	Abdullah Taibah
17 Jumad alawal1435H March 19, 2014	✓	✗	✓
27 Rajab 1435H May 26, 2014	✓	✓	✓
21 Safar 1436H December 14, 2014	✓	✓	✓

We can see from the table that the Nominations and Remunerations Committee held two meetings in the last session and a single one in the new session, which started on September 26, 2014G. Note that all the members of the Committee have not been changed.

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

Member	Stock owned on 01/01/2014G	Shares held in 12/31/2014G	Ownership of first-degree relatives	The amount of change from 01.01.2014G till 31.12.2014G
Mr. Mohammad Al-Abbar	10,000,000	10,000,000	Not available	Zero
Mr. Abdullah Kamel	1.000	1.000	Not available	Zero
H.E. Engineer/Khaled Al-Melhem	10.153	10.153	Not available	Zero
Engineer/Abdulrahman Al-Ruwaitaa	125,000	125,000	Not available	Zero
Mr. Ahmad Jawa	3,001,000	1.000	Not available	-3,000,000
Mr. Mohammad Naghi	5,781,915	5,781,915	Not available	Zero
Mr. Fahd Al-Rashid	4.000	94,000	Not available	90,000
Mr. Faisal Al-Mubarak	1.000	3,000	Not available	2.000
Mr. Abdullah Taibah	1.000	1.000	Not available	Zero

THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

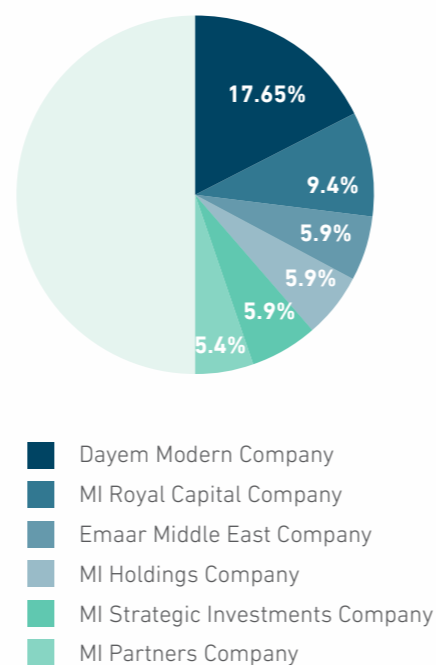
THE BOARD

e) A description of the interests of senior executives and their spouses and minor children in the shares of the company:

Name	Office	Stock owned on 01/01/2014G	Stock owned On 12/31/2014G	Ownership of first-degree relatives	The amount of change from 01.01.2014G till 31.12.2014G
Mr. Fahd Al-Rashid	Managing Director and Chief Executive Officer	4.000	94.000	None	90.000
Mr. Ahmed Linjawi	Executive Vice President	None	None	None	Zero
Mr. Ryan Qutub	Chief Operating industrial zone	None	None	None	Zero
Mr. Ramzi Al-Solh	CEO for operating trade development	None	None	None	Zero
Mr. Faisal Faruqi	CFO	None	None	None	Zero
Mr. Charles Biele	CEO for residential real-estate development	None	None	None	Zero
Dr. Essam Sembawa	Secretary of the Board of Directors	None	None	None	Zero

f) Statement of ownership of the major company shareholders:

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



THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

THE BOARD

g) The annual evaluation of the Board of Directors:

In furtherance of the principles of corporate governance, the company has carried out during the year 2013/2014G an assessment of the performance of the Board of Directors conducted by the Board of Directors' secretary Dr. Essam Sempawa. The assessment aimed at determining the strengths and weaknesses of the board in accordance with the requirements of corporate governance. In this line, Dr. Sempawa conducted a survey with a questionnaire including a number of questions related to the performance of the board as a whole and the performance of members of the board. The questionnaire was individually filled by all the members of the Board of Directors and the necessary analysis was made. Final results were presented to the Nominations and Remunerations Committee, in order to continue developing corporate governance practices in the company as is consistent with best international practices. Furthermore, a number of members of the board attended a training course in the field of corporate governance.



THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

THE TRANSACTIONS WITH RELATED PARTIES

5. THE TRANSACTIONS WITH RELATED PARTIES

The transactions with related parties amounted to (997,422 SR). There are no contracts for the company with a substantial interest to one of the members of the Board of Directors or the CEO or CFO or any person having a relationship with any of them.

Related Operations	The Relevant Parties	Statement	2014G (in thousands)
Sales to sister companies	Port Development Company	Sale of land	760,000
Purchases from sister companies	Port Development Company	Purchases/payments	79.327
Sales to a company in which a member of the Board of Directors has a significant share	Mohammed Yousuf Naghi United	Sale of industrial land	133.659
Transactions with sister companies	Emaar Real-Estate	Visit expenses of Emaar real-estate Consultant	6
Transactions with members of the Board of Directors	Abdullah Saleh Kamel	Sale of land	24.430
Total			997.422

6. MEMBERS OF THE BOARD OF DIRECTORS' REMUNERATIONS

The Articles of Association of the company made clear the rewards assigned to the members of the Board of Directors. The company paid the amount of (2.525.000 SR) as salaries and allowances for the members of the Board of Directors.

The company also paid the amount of (22.913.059 SR) as salaries and allowances for senior executives, including the company's CEO and CFO. The following table shows in details the remuneration of the Board of Directors and the salaries of six of the company's top executives, including the chief Executive Officer, the Executive Vice President, the Chief Financial Officer and the heads of affiliated companies.

Statement	Executive and non-executive board members	Executives who have received the highest bonuses and compensations
Salaries and compensations	1,800,000	10,913,059
Allowances	725,000	-
Annual periodical bonuses	-	12,000,000
Stimulus plans	-	-
Any compensation or other benefits paid in kind on a monthly or yearly basis	-	-
Total	2,525,000	22,913,059



Progress Photos of Al-Murooj



THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

THE ADMINISTRATIVE STRUCTURE OF THE COMPANY

7. THE ADMINISTRATIVE STRUCTURE OF THE COMPANY

Due to the expansion of the company's business and the start of the companies' activities as described in this report, the company has made some changes to its administrative structure by adding the position of Group executive Vice President as a whole and Chief Executive Officer and Director of Finances for each of the subsidiaries. Each title-holder carries the development or operation responsibility of different sectors in the City. This way, the companies that are independently managed by EEC would be in line with the general orientations of the company and the interests of the development of the City.

The group has also attracted a large number of global and local distinguished cadres to contribute to the work according to the requirements of the next stage, especially after the City enters into operation and the rise in development operations which the company has carried out during the year 2014G to implement many of the workshops and training courses for its employees.

In furtherance to applying the orientation strategy aimed at helping national cadres settle down, and in order to prepare managers and rehabilitate the new generation of future leaders, the company has, during the year 2013/2014G employed 13 Saudi trainees, all freshly graduated, and involved them in the management of the company through an intensive specialized training and rehabilitation course (depending on the nature of the job that they occupy) over 24 months through the Management Trainees Program. The Board of Directors also approved the extension of the programs which specialize in granting payment facilities to the staff so they can buy residential lands and houses in King Abdullah Economic City through installments that can stretch to 20 years, interest-free, thus enabling them and their families to enjoy stability in the City.

In 2014G, the company has experienced a real transition with all of the employees moving to the new headquarters' building, which is building No.1 in the Business Bay area in the Bay La Sun Village in King Abdullah Economic City where floors No. 6,7,8 were allocated to them.

The company also set up two ceremonies dedicated to employees. The first one was the annual ceremony honoring the distinguished cadres and employees who have completed five consecutive years in the company, while the second ceremony was a collective breakfast during the holy month of Ramadan.



THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

AFFILIATED COMPANIES

8. AFFILIATED COMPANIES

The company owns different shares in the following six subsidiaries:

1. "Ports Development Company" which is a closed joint-stock company based in King Abdullah Economic City. The company focuses on the implementation of contracts and the development, management, operation, maintenance and financing of the King Abdullah Port in addition to all investments related to it. The company also provides and implements all the necessary services for the operation of the Port and its necessary facilities and the partners in the port's development as approved in the Extraordinary General Assembly held on 5 Ramadan 1435H corresponding to July 3, 2014G, during which the capital was increased to 5.210.000.000 SR (five billion, two hundred and ten million SR), taking EEC's share to 2.605.000.000 SR (two billion, six hundred and five million SAR), which is equivalent to 50% of the capital of Ports Development Company and the share of Huta for Marine Works Company amounting to 2,604,940,000 SR (two billion, six hundred and four million, nine hundred and forty thousand Saudi Riyals) which is equivalent to 49.99% of the capital. Thus, the shares of Ports Development Company amounted to 521 million shares while the share of EEC amounted to 260.5 million shares.
2. "Economic Cities Investments Holding Company" in which EEC owns a share of 99% and the remaining share belongs to a partner with a capital amounting to five hundred thousand SR. The company's headquarters are based in King Abdullah Economic City and its activity mainly revolves around participating in the establishment of companies or the purchase of shares in existing companies. During the year ending December 31, 2014G, the company contributed with 1.605 million Saudi Riyals as extra capital in Economic Cities Investments Holding Company.
3. "The Industrial Zones Development Company Ltd." in which EEC owns a share of 1% and the Economic Cities Investments Holding Company owns a share of 98% while the remaining share belongs to a partner, with a capital amounting to five hundred thousand SR. The company's headquarters are based in King Abdullah Economic City and its main activities revolve around participating in the establishment, management, operation and supply of services to the different regions, industrial cities, warehouses and storage areas.
4. "The Economic Cities Real-Estate Development Company", a limited liability company, with headquarters in King Abdullah Economic City and a capital amounting to 500,000 Riyals. EEC owns a share of 1% and the Economic Cities Investments Holding Company a share of 98% while the remaining share belongs to a partner. The company focuses on owning, purchasing, investing, developing, marketing, selling, leasing and renting lands, real estate, schools, hospitals, health facilities, sports stadiums and train stations including lands in favor of the company.
5. "The Leading Company for Management of the Economic Cities Real-Estate", a limited liability company with headquarters in King Abdullah Economic City and a capital amounting to 500,000 Riyals. EEC owns a share of 1% and the Economic Cities Investments Holding Company a share of 98% while the remaining share belongs to a partner. The company focuses on establishing, managing, developing, operating, leasing, renting and providing different services for different types of real estate and commercial, residential and administrative complexes in economic cities.
6. "The Economic Cities Real-Estate Management and Operation Company", a limited liability company, based in King Abdullah Economic City with a capital amounting to 500,000 Riyal. "EEC" owns a share of 1% and the Economic Cities Investments Holding Company a share of 98% while the remaining belongs to a partner. The company's activities include - but are not limited to - owning, purchasing, investing, selling, developing, marketing, leasing and renting lands and real estate for various residential and commercial purposes in economic cities in favor of the company. Activities also include the supply of various services to real estate projects such as hotels, resorts, facilities, schools, hospitals and sports stadiums in economic cities.

THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

COMPANIES' GOVERNANCE

9. COMPANIES' GOVERNANCE

Emaar the Economic City's administration is keen to apply the principles and rules of good governance and select the best practices in order to serve the interests of shareholders and protect the rights of the beneficiaries. The Ordinary General Assembly of the EEC adopted during the year 2010G the governance list of Emaar the Economic City, based on the governance list of companies in the Kingdom of Saudi Arabia issued by the Capital Market Authority according to resolution 1-212-2006G dated 12 November 2006G and based on the Capital Market Law issued by the Royal Decree No. M/30 dated 2-6-1424h modified by the Board of Capital Market Authority Resolution No.10.01.2010 dated 30/03/1431H corresponding to 16/03/2010G. The company is committed to everything mentioned in its list of governance, but it was unable to implement some of the provisions of the Companies' Governance Regulations in the Kingdom of Saudi Arabia, according to the following:

1. Paragraph (B) of Article (6) Chapter II (the shareholders and the General Assembly's rights) stipulated that it should follow the method of cumulative voting to choose the members of the Board of Directors of the General Assembly but the company did not include it in the approved list of governance as the Regular General Assembly always takes in consideration the shareholders' rights , opens nomination for all and takes into account the need to choose a member of the Board of Directors who has the confidence of the majority. In addition to that, the Articles of Association of the company do not stipulate the cumulative voting technique.
2. Paragraph (D) of Article (6) of Chapter II (voting rights) on the necessity of disclosure of investors from persons with legal acting capacity who are acting on behalf of others in their policies in the vote and the actual vote in their annual reports, as well as the disclosure of how to deal with any material conflict of interests that may affect the practice of fundamental rights for their investments. The company could not implement it, as none of the people with a legal status provided the company by their annual reports or disclose about their policy on voting.
3. Paragraph (D) of Article (10) of Chapter IV (the formation of the board), stipulates the prohibition of combining positions of Chairman of the Board and the Managing Director or CEO or General Manager, but the company did not include this text in the list of governance approved for it. The company thinks it should not be so and that it's best for the company and its shareholders to leave this option to the Board of Directors take the decision about it in accordance with the phase needs required by the company's situation. In spite of this, the the current Board of Directors separates and does not combine the positions of Chairman of the Board and the Managing Director or Chief Executive Officer or Director General.



Progress Photos of Al-Waha



THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

COMPANIES' GOVERNANCE

Proceeding from the principle of compliance with the requirements of Article (43) of insertion and registration rules, which imposes the company to disclose about what was stated in its annual report to the Board of Directors, along with providing affirmations of the Council about what does not apply or other affirmations required by paragraph (22) of the same article of the joint stock company listed, therefore the Board approves the following:

1. The company asserts that it did not provide any cash loan of any kind to the members of its Board of Directors or enroll them in any loan with a third party.
2. There are no option rights in the company and subscription rights belonging to the members of the Board of Directors and senior executives and their spouses and their minor children, whether in shares or debt instruments for the company or any subsidiary of "EEC".
3. There are no debt instruments for the company convertible to shares nor rights of option or subscription or similar rights issued by the company during the financial year 2014G.
4. The company confirms that it has not done any agreement or abdication with any of the shareholders or the company's executives or employees are hereby waive his share in the profits.
5. The company confirms that it did not make any material adjustment to its accounting records and it complies with accounting standards issued by the Saudi Organization for Certified Public Accountants, as there are no fundamental observations of the chartered accountant related to the company's activities or the accounting records or the approved financial statements for the year 2014G and there are no reservations from the chartered accountant regarding these statements.
6. The Auditing Committee in the company examines the company's procedures and internal control systems and their effectiveness through periodic reports that are filed by the company's internal auditor based on the annual audit plan, in addition to the annual report about the effectiveness of the internal control system. In the light of what has been studied, it became clear that no material deficiencies in the control systems and safety require disclosure and the committee considers this session of internal control as a reflection of the effectiveness of internal control procedures to a high extent. The committee specified some aspects that need follow-up and further development to ensure more effectiveness as what was submitted to the Board of Directors. Accordingly, the Executive Management of the company has set up a plan to improve the procedures that must be developed according to the evaluation of the Auditing Committee and the committee will carry out the work of such a plan over the next year 2015G to ensure the commitment of the administration to the agreed work plan.
7. The company confirms that the Board of Directors has set up a written policy governing conflicts of interests including the potential conflict cases for each of the members of the Board of Directors, Executive Management and shareholders such as the misuse of the company's assets and facilities and misconduct resulting from transactions with persons in concern.
8. The company confirms that it did not receive any report about a benefit in the shares of eligibility to vote belonging to persons (other than members of the Board of Directors and senior executives and their spouses and minor children).
9. The company confirms that there is no refund or purchase or cancellation by the company of any debt instruments.
10. The company confirms that there is are conversion or subscription rights under the debt instruments convertible into shares or option rights or notes of right to subscribe.
11. The company confirms that there is a contract signed and therein a substantial interest to one of the members of the Board of Directors and he is the Chairman of the Board of Directors through the contract between the company and Turner Consulting Engineers in which Emaar Real-Estate Group owns a large share of the capital. Other than that, there are no contracts signed of substantial interest.
12. The company confirms that there are no investments or other reserves established to the benefit of the company's employees.

THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

COMPANIES' GOVERNANCE

Table shows the commitment level to the corporate governance regulations that have been applied, which did not apply in the year 2013G:

Article No. according to the corporate governance by-laws	Number of items	Items are not applicable	Remarks
Third: the general rights of the shareholders	1		Applied
Fourth: To facilitate the practice of shareholders' rights and access to information	2		Applied
Fifth: rights of shareholders, related to the meeting of the General Assembly	10		Applied
Sixth: Voting Rights	4	1(B) 1(D)	Previously explained
Seventh: Equity in dividends	2	1(B)	Previously explained
Eighth: policies and procedures related to disclosure	1		Applied
Ninth: disclosure in the Directors' Report	7		Applied
Tenth: The basic functions of the Board of Directors	17		Applied
Eleventh: the responsibilities of the Board of Directors	8		Applied
Twelfth: Formation of the Board	9	12(T)	Previously explained
Thirteenth: Board Committees and their independence	3		Applied
Fourteenth: The Auditing Committee	11		Applied
Fifteenth: the Nomination and Remuneration Committee	8		Applied
Sixteenth: The Board Meetings and Agenda	4		Applied
Seventeen: Board of Directors' remuneration	1		Applied
Eighteenth: Conflict of interest in the Board of Directors	3		Applied

THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

ZAKAT AND GOVERNMENT PAYMENTS

10. ZAKAT AND GOVERNMENT PAYMENTS

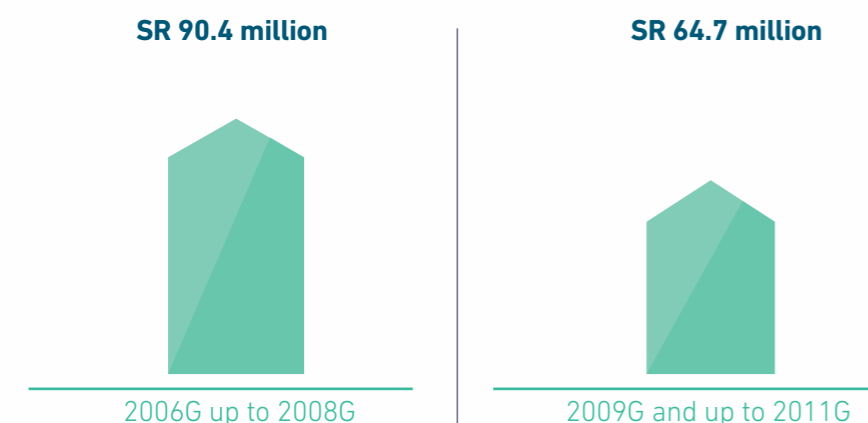
The company provided Zakat returns until the end of the year 2013G and got the registered Zakat certificate.

The Zakat department issued assessments for the years from 2006G until 2008G. It claimed additional Zakat and withholding tax differences of 90.4 million Saudi Riyals in addition to demurrage. This case is under proceeding by the committee in the Supreme Court of Appeal, which asked for some additional documents that were presented by the company. In compliance with the procedures of appeal without admitting liability, the company has provided a bank guarantee and paid withholding tax differences. The Supreme Court of Appeal Committee issued its decision for the Department of Zakat and Income and the company will appeal against the High Committee to the Board of Grievances. The company believes that under a fair review of the Zakat assessment, the result of the review may be in its favor. No provision is made in exchange for the commitment to the additional Zakat and withholding tax in these preliminary consolidated condensed financial statements.

The Zakat department issued Zakat assessments for the years ending 2009G and until 2011G and even demanded additional Zakat and withholding tax differences and demurrage of 64.7 million Saudi Riyals. The company objected to this assessment and provided documents supporting the objection. The company believes that under a fair review of the Zakat assessments for the years 2009G to 2011G, the result of most items of the objection may be in its favor. Accordingly, the company has allocated 26.6 million Saudi Riyals during 2014G.

The Economic Cities Investment Holding Company and The Industrial Zones Development Company ended their Zakat status until the year 2011G and provided their Zakat returns for the year 2012G and received an unrestricted Zakat certificate. The company is in the process of filing Zakat returns for the year 2013G.

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 were established during the year were December 31, 2013G and are not subject to Zakat. However, the registration of these companies with the Department of Zakat and Income is under processing.



THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

SHAREHOLDERS' RIGHTS AND THE GENERAL ASSEMBLY

11. SHAREHOLDERS AND GENERAL ASSEMBLY'S RIGHTS

The Articles of Association of the company and their list of governance have included the procedures and precautions to ensure all shareholders can practice their statutory rights which include:

1. The right to receive dividend payments.
2. The right to receive a share of the company's assets upon liquidation.
3. The right to attend General Assemblies and participate in its deliberations and voting on decisions.
4. The right to dispose of the shares.
5. The right to monitor the work of the Board of Directors and file the claim of responsibility against the members of the Board of Directors.
6. The right of inquiry and request information with no harm to the interests of the company nor opposed to the financial market system and its implementing regulations.

The company also provided all the information that will enable shareholders to practice their rights to the fullest, so that this information is complete and accurate and updated in a systematic and timely manner through annual reports, the company's website, the Tadawul website and press releases in the application of the publication of information to shareholders without discrimination between them (Appendix 1: Advertisements that have been published on the Tadawul site during the year 2014G).

From the company's side, it has held in the financial year 2014G a meeting of the General Assembly, (Ordinary General Meeting) on Monday 7 Jumadah althani 1435H, corresponding to April 7, 2014G and we confirm that the company did not receive from the chartered accountant (KPMG) any request for the convening of the General Assembly during the fiscal year ending in 2014G. We also confirm that it didn't receive from shareholders that own 5% of the capital or more a request of convening the General Assembly during the financial year ending 2014G.

The company had announced the date of the Ordinary General Assembly place and agenda before twenty-five days from the deadline and published an invitation for the meeting of the General Assembly on the Tadawul website and in Almadinah newspaper as well as in the official newspaper Umm Al-Qura. The advertisement clarified the rules governing the meetings of the General Assembly of the shareholders, the voting procedures and the opportunity granted to all shareholders to participate effectively and vote on agenda items. Shareholders were able to discuss the topics included in the agenda and question the members of the Board of Directors and the registered accountant and their questions were answered. It's noteworthy that none of the shareholders owning 5% or more of the company's shares requested to add a subject or more to the agenda of the General Assembly during the preparations.

THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

SHAREHOLDERS' RIGHTS AND THE GENERAL ASSEMBLY

11. SHAREHOLDERS AND GENERAL ASSEMBLY'S RIGHTS (CONTINUED)

The company confirms that it has avoided the situation of any action that may lead to the obstruction of the right of the shareholders to use their right to vote, as it has verified the authorization of the shareholders who attended other than the members of the Board of Directors and other than the company's employees. And the company recognizes the importance of communicating with shareholders. Therefore, it continued to:

1. Publish the quarterly financial statements and final accounts for the fiscal year 2014G on the Tadawul website, according to the period specified by the law.
2. Publish the quarterly of annual reports related to the latest updates of the projects in King Abdullah Economic City on the Tadawul website.
3. Be committed to the formula of the advertisements set by the Capital Market Authority and the fundamental information that should be included and the dates of publication.
4. Prepare a report of the board in accordance with the disclosure requirements and the guidance form prepared by the Capital Market Authority.
5. Update the company's website (www.kaec.net) on the internet to include the necessary information, which reflect the company's activities and its news and financial results on a regular basis.

The company also held on Monday 4 Shabban 1435H, corresponding to June ,2014G its tenth Ordinary General Assembly meeting through which it elected the members of the Board of Directors of the new session, which began on September 26, 2014G and continue for a period of three calendar years to end on September 25, 2017G.

The company has announced the opening of the nomination two months before the date of the Assembly and clarified the rules governing the nomination process and left the chance of nomination open for everyone for a period of two weeks. Also, the company announced the date of the Ordinary General Assembly, place and agenda before twenty-five days from the specified date and published an invitation for the General Assembly meeting on the Tadawul website and in Almadinah newspaper as well as in the official newspaper of Umm Al-Qura. The advertisements clarified the rules governing the meetings of the General Assembly of the shareholders and the voting procedures and the opportunity was obtainable for all shareholders to participate effectively and vote on the agenda items, especially since the company has used the electronic voting system for the first time via the Saudi Capital Market platform (Tadawul).

THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

FUTURE RISKS - FINES - ACKNOWLEDGING

12. FUTURE RISKS

As is all strategic giant projects, the construction of an integrated city may involve many risks. So the company is consulting with experienced firms from time to time to make sure of the accuracy of the assumptions and studies relying on the best practices in the activities that the company is carrying out. The company identified a general perception of the risk that it may face in terms of challenges that could have an impact on its performance or on the City's development programs, foremost:

- The high costs of implementing the projects.
- The decline in sales due to the economic slowdown in the Kingdom as a result of oil prices dropping.
- Securing the the required funding for some projects.
- The availability of qualified human resources to manage and upkeep the project.
- The ability of contractors to carry out building and construction works in accordance with the required timetable.
- The activation of the regulations as stipulated in the Economic Cities Authority System.

The company is to monitor and evaluate these risks and deal with them on an ongoing basis through periodic follow-ups and reports presented to the Board of Directors.

13. FINES

The company received a violation and a fine from the Capital Market Authority in 2014G amounting to 10,000 Riyals, due to the publication of the invitation announcement to the Normal General Assembly meeting on the Tadawul website in less than two hours before the market opened.

14. ACKNOWLEDGING

Emaar the Economic City acknowledges the following:

1. The accounting records were prepared properly.
2. The internal control system was prepared in order basis and implemented effectively.
3. There is no doubt to be mentioned about the ability of Emaar the Economic City to continue its activities.

Signed by the Board of Emaar the Economic City Company

THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

ANNEX 1

ANNEX 1

Advertisements that have been posted on the Tadawul website during the year 2014G

Title	DATE	TIME
Emaar The Economic City announces its interim financial results for the period ending 31/12/2013G (Twelve months)	2014-01-19 (1435-03-18)	17:57:13
Emaar the Economic City announces the latest developments of its projects in King Abdullah Economic City	2014-01-23 (1435-03-22)	09:41:19
Emaar Economic City announces the results of the annual financial report ending on 12/31/2013G	2014-02-25 (1435-04-25)	15:52:06
Emaar Economic City invites its shareholders to attend the Annual General Assembly meeting	2014-03-11 (1435-05-10)	09:08:18
Emaar Economic City announces the addition of items to the Ninth Annual General Assembly Meeting	2014-03-17 (1435-05-16)	15:48:41
Emaar Economic City invites its shareholders to attend the Annual General Meeting (first meeting)(Reminder announcement)	2014-04-06 (1435-06-06)	08:15:08
Emaar Economic City announces the results of its Ninth Annual General Assembly	2014-04-08 (1435-06-08)	09:57:38
Emaar the Economic City announces the opening of nominations for its Board of Directors of the new session	2014-04-08 (1435-06-08)	16:06:19
Emaar Economic City announces its preliminary financial results for the period ending 31/03/2014G (Three months)	2014-04-21 (1435-06-21)	08:55:31
Emaar Economic City invites its shareholders to attend the Annual General Assembly meeting (first meeting)	2014-05-01 (1435-07-02)	10:05:11
Emaar Economic City announces its latest projects' developments in King Abdullah Economic City	2014-05-05 (1435-07-06)	09:07:24
Emaar Economic City announces that it started using the electronic voting system for the first time during the Tenth Annual General Assembly	2014-05-25 (1435-07-26)	08:14:32

THE COMPANY'S REPORT FOR THE FINANCIAL YEAR 2014G

ANNEX 1

Advertisements that have been posted on the Tadawul website during the year 2014G

Title	DATE	TIME
Emaar Economic City invites its shareholders to attend the Annual General Assembly meeting (First meeting) (Reminder announcement)	2014-06-01 (1435-08-03)	08:20:45
Emaar Economic City announces the result of the Annual General Assembly meeting	2014-06-03 (1435-08-05)	08:13:37
Emaar Economic City announces the appointment of a financial advisor to manage the underwriting in the shares of priority rights	2014-06-15 (1435-08-17)	08:07:31
Appending announcement from Emaar Economic City regarding the appointment of a financial advisor to manage the underwriting in the shares of priority rights	2014-06-15 (1435-08-17)	08:57:42
Emaar Economic City announces the modification of its share in ports Development Company	2014-07-06 (1435-09-09)	09:28:31
Emaar Economic City announces its financial preliminary results for the period ending 30/06/2014G (Six months)	2014-07-20 (1435-09-23)	16:28:50
Emaar Economic City its latest projects' developments in King Abdullah Economic City	2014-08-03 (1435-10-07)	15:48:21
Emaar Economic City announces it has obtained a resale of profit	2014-09-24 (1435-11-29)	08:41:38
Emaar Economic City announces the re-election of the Chairman of the Board of Directors and the restructuring of the Board Committees	2014-09-24 (1435-11-29)	08:43:47
Emaar Economic City announces its preliminary financial results for the period ending 30/09/2014G (Nine months)	2014-10-29 (1436-01-05)	16:51:45
Emaar Economic City announces its latest projects' developments in King Abdullah Economic City	2014-11-09 (1436-01-16)	17:00:13
Emaar Economic City announces it has obtained a fund for resale of profit	2014-12-10 (1436-02-18)	08:41:21

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 of December 31, 2014G and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 31 which form an integral part of the consolidated financial statements.

Management's responsibility for the consolidated financial statements

The 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 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:

Present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2014G 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 are appropriate to the circumstances of the Group and 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 Jeddah on Rabi Al Thani 29, 1436H
License No.382 Corresponding to February 18, 2015G



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.

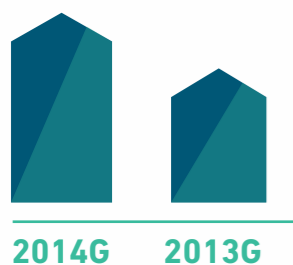
CONSOLIDATED BALANCE SHEET

As of December 31, 2014G

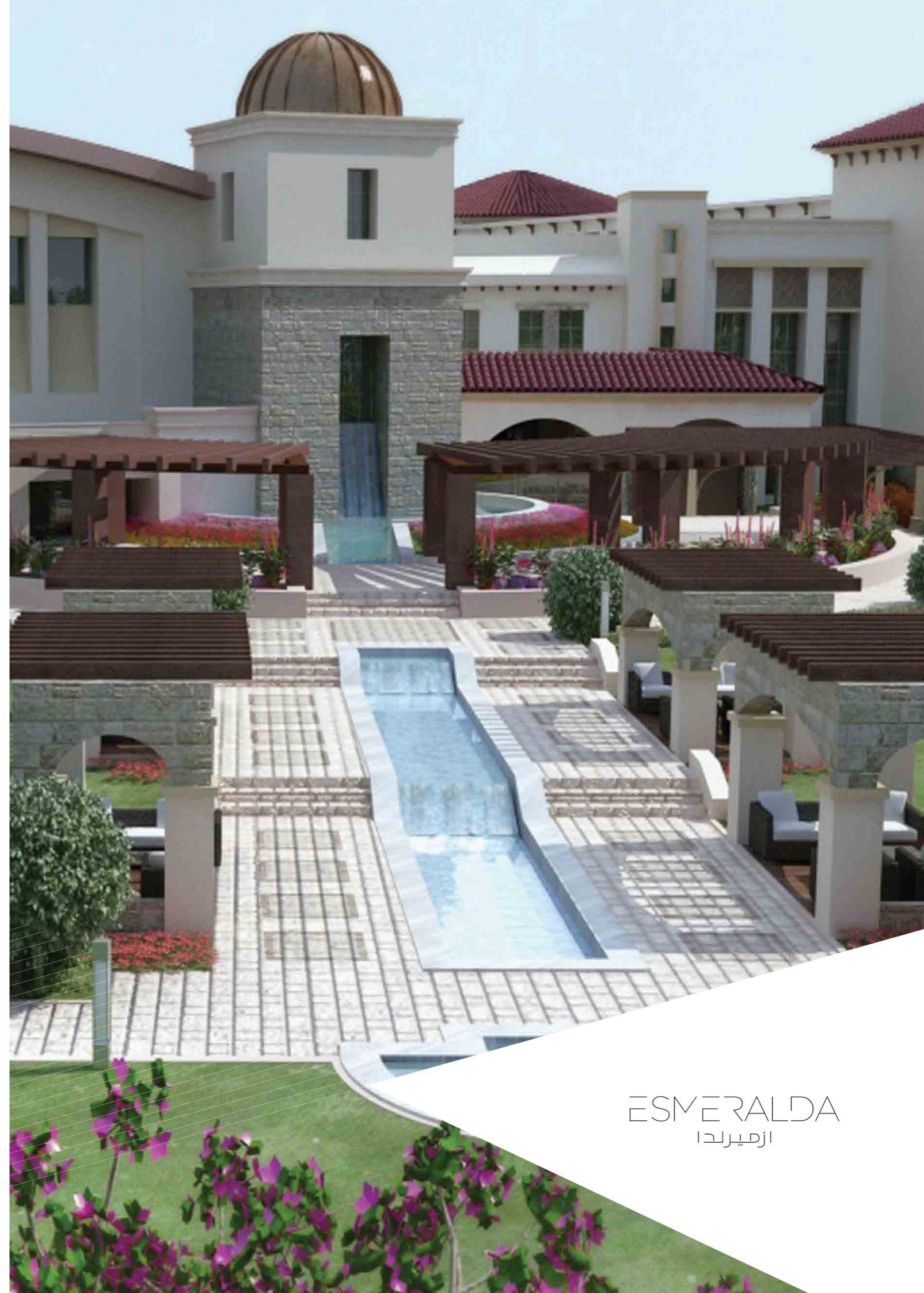
ASSETS	Notes	2014G (SR '000)	2013G (SR '000)
Current assets			
Cash and cash equivalents	4	2,012,944	2,772,040
Murabaha term deposits with banks	5	872,685	261,828
Accounts receivable and other current assets	6	225,487	313,652
Development properties	7	1,271,562	1,095,838
Total current assets		4,382,678	4,443,358
Non-current assets			
Investment properties	8	4,364,638	4,285,063
Property and equipment	9	5,012,368	4,135,501
Investment in an equity accounted investee	10	2,338,085	1,381,279
Deferred costs	11	7,113	-
		11,722,204	9,801,843
Assets classified as held for disposal	12	101,250	101,250
Total non-current assets		11,823,454	9,903,093
TOTAL ASSETS		16,206,132	14,346,451

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

16,206,132 14,346,451



The total assets in the year 2014G amount to **16,206,132** thousand SR compared with **14,346,451** thousand SR in 2013G.



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CONSOLIDATED BALANCE SHEET

As of December 31, 2014G

LIABILITIES AND EQUITY	Notes	2014G (SR '000)	2013G (SR '000) (Restated)
Current liabilities			
Short-term loans	13	-	29,215
Current portion of long-term loans	16	753,365	-
Accounts payable and accruals	14	883,588	656,450
Total current liabilities		1,636,953	685,665
Non-current liabilities			
Non-current portion of long-term loans	16	5,377,815	5,274,789
Deferred contribution	17	953,882	532,252
Long-term provision	18	5,099	5,099
Employees' end-of-service benefits	19	16,990	12,080
Total non-current liabilities		6,353,786	5,824,220
Total liabilities		7,990,739	6,509,885

EQUITY ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS	Notes	2014G (SR '000)	2013G (SR '000) (Restated)
Share capital	20	8,500,000	8,500,000
Accumulated losses		(284,028)	(663,706)
Effect of reducing the ownership percentage in a subsidiary	21	(86)	-
Total shareholders' equity		8,215,886	7,836,294
Non-controlling interests		(493)	272
Total equity		8,215,393	7,836,566
Total liabilities and equity		16,206,132	14,346,451

16,206,132 14,346,451



2014G 2013G

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

The total liabilities and equity in the year 2014G amount to **16,206,132** thousand SR compared with **14,346,451** thousand SR in 2013G.

CONSOLIDATED STATEMENT OF INCOME

As of December 31, 2014G

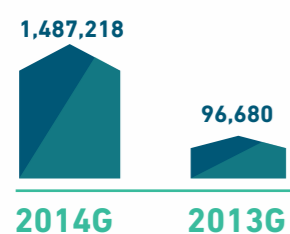
	Notes	2014G (SR '000)	2013G (SR '000) (Restated)
Revenue	22	1,064,342	833,452
Cost of revenue		(336,626)	(128,786)
Gross profit		727,716	704,666
Expenses			
Selling and marketing	23	(95,098)	(62,203)
General and administration	24	(176,488)	(146,759)
Land contribution		-	(88,509)
Depreciation-net	9.1	(28,073)	(26,429)
Amortisation	11	(1,674)	-
Impairment loss		-	(120,005)
Maintenance and other (cost)/reversal, net	6.1	(327)	21,140
Total expenses		(301,660)	(422,765)
Profit from operations		426,056	281,901
Financial charges, net		(54,951)	(83,066)
Commission income		13,873	37,144
Gain on disposal of investment properties		-	58,635
Share of profit from an equity accounted investee	10	19,039	2,675
Other income		1,405	7,129
Income before Zakat and non-controlling interests		405,422	304,418
Zakat	25	(26,600)	(31,112)
Net income before non-controlling interests		378,822	273,306
Share of non-controlling interests in the net loss/(income) of consolidated subsidiaries		856	(247)
Net income attributable to Company's shareholders		379,678	273,059
Earnings per share on profit from operations – SR	26	0.50	0.33
Earnings per share on net income attributable to Company's shareholders – SR	26	0.45	0.32

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

As of December 31, 2014G

	Notes	2014G (SR '000)	2013G (SR '000) (Restated)
Operating activities			
Income before Zakat and non-controlling interests		405,422	304,418
Adjustments for			
Depreciation	8 & 9.1	63,850	40,550
Provision for employees' end-of-service benefits	19	6,648	5,054
Share of profit from an equity accounted investee	10	(19,039)	(2,675)
Financial charges, net		54,951	83,066
Commission income		(13,873)	(37,144)
Impairment loss		-	120,005
Maintenance and other cost/(reversal), net	6.1	327	(21,140)
Gain on disposal of investment properties		-	(58,635)
Land contribution		-	88,509
Amortisation	11	1,674	-
Gain on disposal of property and equipment		(353)	(102)
		499,607	521,906
Changes in operating assets and liabilities			
Accounts receivable and other current assets		335,791	(48,221)
Development properties		(17,466)	(466,617)
Accounts payable and accruals		206,806	(232,191)
Cash generated from/(used in) operations		1,024,738	(225,123)
Deferred contribution	17	470,486	328,812
Zakat paid	25	(6,268)	(5,524)
Employees end-of-service benefits paid	19	(1,738)	(1,485)
Net cash generated from operating activities		1,487,218	96,680

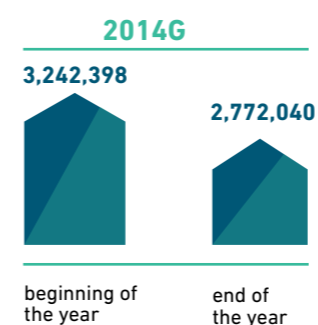


The net cash generated from operating activities in the year 2014G amounts to **1,487,218** thousand SR compared with **96,680** thousand SR in 2013G.

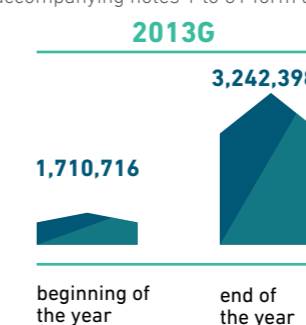
CONSOLIDATED STATEMENT OF CASH FLOWS

As of December 31, 2014G

	Notes	2014G (SR '000)	2013G (SR '000) (Restated)
Investing activities			
Purchase of property and equipment	9	(902,771)	(567,936)
Proceeds from disposal of property and equipment		353	102
Deferred costs	11	(8,787)	-
Net movement in assets held for disposal		-	5,078
Net movement in Murabaha term deposits with banks		(610,857)	597,451
Commission income		13,873	37,144
Proceeds from sale of other investments		-	4,750
Net movement in loan to a related party		-	1,663
Net movement in investment properties	8	(268,689)	-
Investment in an equity accounted investee	10	(1,185,720)	(1,010,300)
Net movement in loan to an equity accounted investee		-	338,000
Net cash used in investing activities		(2,962,598)	(594,048)
Financing activities:			
Net movement in short-term loans		(33,721)	27,010
Long-term loans		750,000	-
Net movement in non-controlling interest		5	-
Net cash generated from financing activities		716,284	27,010
Net change in cash and cash equivalents		(759,096)	(470,358)
Cash and cash equivalents at the beginning of the year		2,772,040	3,242,398
Cash and cash equivalents at the end of the year	4	2,012,944	2,772,040



The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ending December 31, 2014G

Equity attributable to the shareholders' of the Company						
2014G	Share capital (SR'000)	Accumulated losses (SR'000)	Effect of reducing the ownership percentage in a subsidiary (SR'000)	Total shareholders' equity (SR'000)	Non-controlling interests (SR'000)	Total (SR'000)
Balance at January 1	8,500,000	(663,706)	-	7,836,294	272	7,836,566
Net income for the year	-	379,678	-	379,678	(856)	378,822
Effect of reducing the ownership percentage in a subsidiary (note 21)	-	-	(86)	(86)	-	(86)
Net movement in non-controlling interest	-	-	-	-	91	91
Balance as of December 31	8,500,000	(284,028)	(86)	8,215,886	(493)	8,215,393

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

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

1. THE COMPANY AND ITS ACTIVITIES

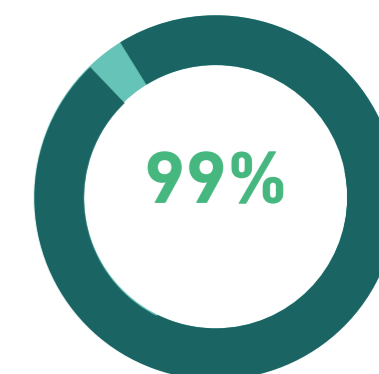
Emaar The Economic City (the Company) is a Saudi joint-stock Company incorporated under Ministerial Resolution No.2533 dated Ramadan 3, 1427H, corresponding to September 21, 2006G and registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030164269 dated Ramadan 8,1427H, corresponding to September 26, 2006G. The Company is engaged in the development of real estate in the City 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, and 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:

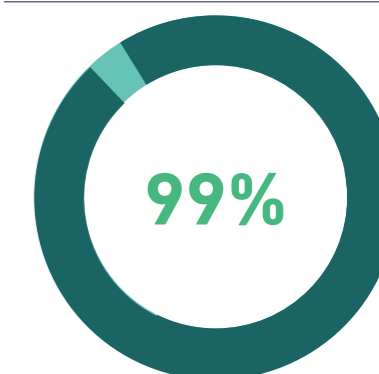
P. O. Box 8299
Amir Sultan Street
Jeddah 21482
Kingdom of Saudi Arabia.

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

Name	Country of incorporation	Year of incorporation	Effective ownership interest	
			2014G	2013G
Economic Cities Investments Holding Company (ECIHC)	Kingdom of Saudi Arabia	2010G	99%	99%
Industrial Zones Development Company Limited (IZDCL)	Kingdom of Saudi Arabia	2011G	98%	100%
Economic Cities Real Estate Property Operation and Management Company Limited (REOM)	Kingdom of Saudi Arabia	2013G	98%	98%
Economic Cities Pioneer Real Estate Management Company Limited (REM)	Kingdom of Saudi Arabia	2013G	98%	98%
Economic Cities Real Estate Development Company Limited (RED)	Kingdom of Saudi Arabia	2013G	98%	98%



Economic Cities Investments Holding Company 2014G



Economic Cities Investments Holding Company 2013G

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

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 the 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.

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 and assets classified as held for disposal 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 independent 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 is applied according to the length of time overdue.

Cost to complete the projects

As part of the application of the percentage of the 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 amounts in the consolidated financial statements, based on the prevailing market value obtained from professionals involved in the sale of these assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

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.

Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

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 equity accounted investee 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 results 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 ENDING DECEMBER 31, 2014G

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



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 a long-term loan that is directly related to qualifying property and equipment is capitalised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in an equity accounted investee

The Group's investment in equity accounted investee represents investment in those entities over whose activities the Group has joint control, established by contractual arrangements and requiring unanimous consent for strategic financial and operating decisions. This also includes those entities in which the Group has significant influence but not control over the financial and operating policies, generally accompanying a shareholding between 20% and 50% of the voting rights.

Investment in equity accounted investee 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 equity accounted investee. Under the equity method, the investment in the equity accounted investee is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the equity accounted investee less impairment loss, if any.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of Group's investment 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 equity accounted investee.

Deferred costs

Deferred costs include all costs and expenses incurred during the current period and have the future economic benefits. Such costs are amortized using the straight-line method over the related economic benefit periods not exceeding seven years.

Non-current assets 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

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 consolidated balance sheet date.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in producing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. Currently, the Company is principally involved in sale of plots and apartments and villas in KAEC and involved in providing certain ancillary services such as hospitality, education and lease, which are not significant to the entire Company's business. Accordingly, the management believes that at this stage, the Company's business activity falls within a single business segment which are subject to same risks and returns and non-disclosure of segment information may not affect the decisions of the users of these consolidated financial statements.

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.

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 the full accrual method as and when all of the following conditions are met:

- A sale is consummated and contracts are signed;
- The buyer's investment, to the date of the consolidated financial statements, is adequate to demonstrate a commitment to pay for the property;
- The Group's receivable is not subject to future subordination;
- 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 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:

- 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;
- Construction is beyond a preliminary stage. The engineering, design work, construction contract execution, site clearance and building foundation are finished;
- The buyer is committed: the buyer is unable to claim a refund except for non delivery of the unit; and the aggregate sales proceeds and costs can be reasonably estimated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

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 consolidated balance sheet date.

Hospitality revenue

Revenue from hotel accommodation, food and beverages and other related services are recognised net of discount and municipality fees on accrual basis when the services are rendered.

School revenue

Tuition, registration and other fees are recognized as income on accrual basis.

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 proportion of the development cost incurred to date related to sold units to the estimated total development costs for each project.

The cost of revenues in respect of land sales includes cost of land.

The cost of revenues in respect of hotel and school is based on actual cost of providing the services.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

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.

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 the Kingdom of Saudi Arabia.

4. CASH AND CASH EQUIVALENTS

	2014G (SR'000)	2013G (SR'000)
Bank balances and cash	1,373,944	84,040
Short-term Murabaha deposits (note 5)	639,000	2,688,000
	2,012,944	2,772,040

5. MURABAHA TERM DEPOSITS WITH BANKS

Murabaha term deposits with banks represent funds placed with commercial banks at market rates and comprise the following:

	2014G (SR'000)	2013G (SR'000)
Murabaha deposits	1,511,685	2,949,828
Less: short-term Murabaha deposits (note 4)	639,000	2,688,000
	872,685	261,828

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

6. ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

	2014G (SR'000)	2013G (SR'000)
Accounts receivable (note 6.1)	185,733	119,245
Commission receivable on Murabaha term deposits	3,189	3,144
Advances to suppliers	18,730	3,911
Prepayments	6,172	4,553
Margin on letter of credits	443	5,610
Amount due from affiliates (note 15)	89	168,240
Other current assets	11,131	8,949
	225,487	313,652

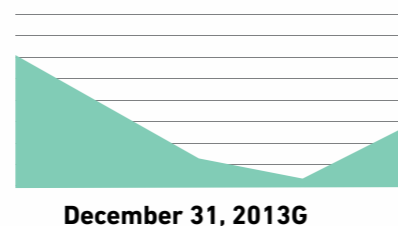
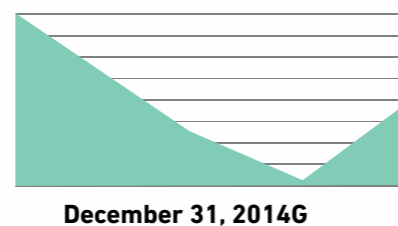
6.1. Accounts receivable

	2014G (SR'000)	2013G (SR'000)
Gross accounts receivable	188,752	121,937
Allowance for doubtful receivable	(3,019)	(2,692)
	185,733	119,245

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, 2014G	98,131	13,106	77,515	188,752
December 31, 2013G	42,110	20,629	59,198	121,937

Receivables are secured by promissory notes and bank guarantees wherever applicable (note 28).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

7. DEVELOPMENT PROPERTIES

	2014G (SR'000)	2013G (SR'000)
Cost incurred to date	2,458,793	1,806,654
Properties under construction (note 8.1)	(679,335)	(746,836)
Properties completed (note 8.1)	(552,114)	(216,992)
Transfer from investment properties, net (note 8.2)	158,258	102,090
	1,385,602	944,916
Attributable profit	2,385,478	1,379,074
Less: progress billings	(2,492,373)	(1,220,824)
Less: provision for development properties	(7,145)	(7,328)
	1,271,562	1,095,838

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 455 million (2013G: SR 296.5 million) which have been identified by the management to be sold in their present condition. Accordingly, these have been reclassified from investment properties to development properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

8. INVESTMENT PROPERTIES

8.1. The investment properties include the following:

	2014G (SR'000)	2013G (SR'000)
Greenfield land and associated cost (note 7 & 8.2)	3,148.733	3,328,472
Properties under construction (note 8.3)		
Balance as of January 1	746.836	888,074
Cost incurred during the year	261.593	75,754
Transferred to properties completed	(329.094)	(216,992)
	679.335	746,836
Properties completed		
Cost	552.114	216,992
Accumulated depreciation	(15.544)	(7,237)
	536.570	209,755
	4,364.638	4,285,063

8.2. A greenfield land measuring approximately 168 million square meters has been earmarked for the master development of KAEC. This includes a 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 (note 20).

The greenfield land measuring 10.5 million square meters has been principally earmarked for lease to industrial customers. The specific allocation of the 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 3,149 million (2013G:SR 3,328 million) - has been classified as investment property. No depreciation has been charged as these comprise only freehold land.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

8. INVESTMENT PROPERTIES (CONTINUED)

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

	2014G (SR'000)	2013G (SR'000)
Balance as of January 1	3,328.472	3,577.026
Less: transfers / sale:		
Less:		
Transfer to development properties upon change in use (note 7)	(158.258)	(102.090)
Transfer to property and equipment (note 9)	(22.549)	-
Sale to an associate	-	(57.955)
Land contribution	-	(88.509)
Transfer from properties under construction (note 8.2)	1.068	-
Balance as of December 31	3,148.733	3,328.472

The greenfield land includes 24.7 million sqm pledged in favour of the Ministry of Finance against a long-term loan of SR 5,000 million (note 16.1).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

9. 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	861,919	25,189	18,293		26,916	69,681	4,805	1,345,444	2,027,294	4,430,112
Additions	-	-	2,498	1,844		1,711	10,244	383	-	886,091	902,771
Transfer from investment properties (note 8.2)	22,549	-	-	-		-	-	-	-	-	22,549
Borrowing cost	-	-	-	-		-	-	-	-	55,946	55,946
Transfer in/(out)	-	(65,346)	183	(378)		17,409	-	-	218,859	(170,727)	-
Disposals	-	-	-	-		(18)	-	(845)	-	-	(863)
At the end of the year	73,120	796,573	27,870	19,759		46,018	79,925	4,343	1,564,303	2,798,604	5,410,515
Depreciation:											
At the beginning of the year	-	122,232	22,509	12,000		17,503	39,712	3,092	77,563	-	294,611
Charge for the year (note 9.1)	-	24,231	2,204	1,484		6,919	12,046	677	56,838	-	104,399
Disposals	-	-	-	-		(18)	-	(845)	-	-	(863)
At the end of the year	-	146,463	24,713	13,484		24,404	51,758	2,924	134,401	-	398,147
Net book values:											
As of 31 December 2014	73,120	650,110	3,157	6,275		21,614	28,167	1,419	1,429,902	2,798,604	5,012,368
As of 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

Freehold land includes land amounting to SR 70 million related to infrastructure assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

9. PROPERTY AND EQUIPMENT (CONTINUED)

9.1. Depreciation:

	2014G (SR'000)	2013G (SR'000)
Charged during the year	104,399	75,368
Amortisation of deferred contribution (note 17)	(48,856)	(42,055)
	55,543	33,313
Charged to cost of revenue	(27,470)	(6,884)
	28,073	26,429

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

10. INVESTMENT IN AN EQUITY ACCOUNTED INVESTEE

	2014G (SR'000)	2013G (SR'000)
Investment	2,487,520	235,980
Purchase of shares from other shareholder	117,480	-
Additional capital contribution	-	1,183,300
	2,605,000	1,419,280
Share of profit from equity accounted investee	20,799	1,760
Elimination of share of profit on sale of land and commission income from equity accounted investee	(287,714)	(39,761)
	2,338,085	1,381,279

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

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

During 2011G, 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%.

During the year ending December 31, 2012G, 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 costs.

On October 8, 2013G the shareholders of PDC had 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 ending March 31, 2013G had been reclassified as receivable from PDC (note 15).

On April 16, 2014G the shareholders of PDC have amended the shareholders agreement of October 8, 2013G. As per the revised terms, the Company has purchased 11,748,000 registered shares at par in PDC from an other shareholder for a cash consideration of SAR 118 million. Accordingly, the Company's shareholding in PDC has reached 51%.

The Company also invested cash of SR 1,701 million including SR 1,068 million provided during the year ending December 31, 2014G. Additional capital contributions also include SAR 640 million which have been reclassified from loan to an equity accounted investee under the agreement dated October 8, 2013G. The legal formalities in respect of conversion of additional capital contributions of SR 2,252 million to equity have been completed on July 17, 2014G which consequently reduced the Company's shareholding in PDC to 50%.

Pursuant to the terms of the revised agreement, the shareholders of PDC have concluded that they have joint control over PDC and hence, the management of the Company has reclassified the investment in an associate to "Investment in an equity accounted investee", with no financial impact on the consolidated balance sheet and statement of income.

Furthermore, as per the terms of the revised agreement, the Company has also provided a corporate guarantee to a commercial bank, amounting to SAR 269 million, limited to its revised shareholding percentage in PDC, to allow PDC to secure a Shariah compliant commodity Murabaha facility to partially finance the construction costs of the Port.

11. DEFERRED COSTS

	2014G (SR'000)	2013G (SR'000)
Deferred costs	8,787	-
Less: amortisation	1,674	-
	7,113	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

12. ASSETS CLASSIFIED AS HELD FOR DISPOSAL

The Group has identified certain assets amounting to SR 101 million (2013G: 101 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 ending December 31, 2014G, these assets have been reviewed for impairment and management ascertained that no further impairment is required.

13. SHORT-TERM LOANS

As of December 31, 2013G the Group had an outstanding short-term loan amounting to SR 29 million from a commercial bank at prevailing market rates which has been paid during the year ending December 31, 2014G.

14. ACCOUNTS PAYABLE AND ACCRUALS

	2014G (SR'000)	2013G (SR'000)
Accounts payable	186,091	213,571
Advance from customers	187,091	104,626
Contract cost accruals	160,935	112,496
Amount to be donated for charitable purposes (note 14.1)	70,983	70,484
Accrued expenses and other payables	139,865	88,355
Amounts due to affiliates (note 15)	2,523	2,517
Retentions payable	78,809	27,442
Zakat payable (note 25)	57,291	36,959
	883,588	656,450

The Board of Directors decided in 2006G 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 ENDING DECEMBER 31, 2014G

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 the management.

In addition to the disclosures set out in note 10, significant related party transactions for the year ending December 31, 2014G are described as under:

Related party	Nature of transaction	2014G		2013G	
		Amount of transaction (SR'000)	Balance receivable/ (payable) (SR'000)	Amount of transaction (SR'000)	Balance receivable/ (payable) (SR'000)
Affiliates	Advance from customers	-	-	17,800	(50,000)
	Sale of Land	760,000	-	200,000	200,000
	Commission income	-	-	11,510	18,151
	Expenses incurred by affiliates on behalf of the Group	6	(349)	-	(343)
	Expenses incurred by Group on behalf of an affiliate	-	89	-	89
	Services provided to the Group	-	(2,174)	-	(2,174)
	Purchase from affiliates	79,327	-	-	-
	Sale of properties	133,659	-	342,167	-
Key management personnel	Remuneration	22,913	(14,737)	8,673	-
	Sale of properties	45,843	35	2,171	-
Board of Directors	Meeting fee	2,525	(2,525)	2,505	-
	Sale of properties	24,430	1,634	9,661	554

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

16. LONG-TERM LOANS

	2014G (SR'000)	2013G (SR'000)
Balance as of January 1	5,274,789	5,167,811
Addition	750,000	-
Interest for the year	106,391	106,978
	6,131,180	5,274,789
Less: current portion of long-term loan	753,365	-
Balance as of December 31	5,377,815	5,274,789

16.1. During 2011G, 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 a pledge of 24.7 million sqm of the Greenfield Land (note 7.1) and carries annual commission at commercial rates and is repayable, with a three-year grace period, in seven annual instalments commencing from June 1, 2015G. The loan balance as of December 31, 2014G also includes accrued commission amounting to SR 381 million (2013G: SR 274.8 million).

16.2. During the year ending December 31, 2014G, the Company has signed an Islamic facility agreement with a commercial bank for SR 2,000 million Murabaha liquidity finance facility that carries commission at commercial rates. As per the terms of the agreement, the loan is repayable in eight bi-annual instalments from June 30, 2018G to December 31, 2021G. The loan is secured against the pledge of shares of the Company in PDC and an order note for SR 2,500 million.

16.3. During the year ending December 31, 2014G, the Company has signed a facility agreement with a commercial bank for SR 1,000 million that carries commission at commercial rates. As per the terms of the agreement, the loan term is door-to-door 8 years with a three-year grace period. In order to comply with the Sharia principles, an additional facility of SR 250 million has been arranged by the same bank linked to the first facility to permit the rollover (repayment and drawdown) so that the full SR 1,000 million is available to the Company for the first 3 years of the loan. The loan is secured against a greenfield land at KAEC and an order note for SR 1,250 million.

17. DEFERRED CONTRIBUTION

	2014G (SR'000)	2013G (SR'000)
Balance as of January 1	532,252	245,495
Collections during the year	470,486	328,812
Amortisation during the year (note 9.1)	(48,856)	(42,055)
Balance as of December 31	953,882	532,252

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

18. LONG-TERM PROVISION

The company has contracted with its residential customers to provide property and city maintenance services. The costs of providing these services, over the useful life of the residential units, to its residential customers is expected to be higher than the fee or charges that the Company will be able to charge to its residential customers. Accordingly, a provision has been made for the excess costs. Such provision is reviewed at each balance sheet date and appropriate adjustment is made to account for change in the estimated excess costs, if any.

19. EMPLOYEES' END-OF-SERVICE BENEFITS

	2014G (SR'000)	2013G (SR'000)
Opening balance	12,080	8,511
Provision for the year	6,648	5,054
Payment made during the year	(1,738)	(1,485)
Closing balance	16,990	12,080

20. SHARE CAPITAL

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

	2014G		2013G	
	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 8.1)	170,000,000	1,700,000	170,000,000	1,700,000
	850,000,000	8,500,000	850,000,000	8,500,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

21. THE EFFECT OF REDUCING THE OWNERSHIP PERCENTAGE IN SUBSIDIARY

During 2013G, the shareholders of IZDCL resolved to change the effective shareholding interest of the Company in IZDCL to be 98% in line with other Group entities. The legal formalities in this respect have been completed during the year ending December 31, 2014G. Consequently, the Company held 4,950 shares representing 98% effective shareholding in IZDCL's share capital, compared to its previous shareholding of 100% effective shareholding in IZDCL's capital, prior to the transaction.

Due to the decrease of the Company's shareholding in IZDCL, the Company's share in the net asset of IZDCL has decreased and an amount equivalent to SR 86,379 was recognized as an un-realised loss under equity.

22. REVENUE

	2014G (SR'000)	2013G (SR'000)
Sale of properties	948,474	754,633
Others	115,868	78,819
	1,064,342	833,452

23. SELLING AND MARKETING EXPENSES

	2014G (SR'000)	2013G (SR'000)
Employee costs	14,438	14,915
Branding and launch expenses	55,166	30,630
Advertising and promotional expenses	15,967	11,167
Sales commission	7,217	3,837
Others	2,310	1,654
	95,098	62,203

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

24. GENERAL AND ADMINISTRATION EXPENSES

	2014G (SR'000)	2013G (SR'000)
Employee costs	115,410	79,899
Facility and city management services	4,057	13,994
Professional charges	32,855	22,564
Rent	5,110	4,311
Repairs and maintenance	2,184	13,387
Communication and office expenses	6,005	4,567
Others	10,867	8,037
	176,488	146,759



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

25. ZAKAT

a. Charge for the year

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

	2014G (SR'000)	2013G (SR'000)
Current & prior year	26,600	31,112

The significant components of Zakat base for the year ending December 31 are as follow:

	2014G (SR'000)	2013G (SR'000)
Equity and provisions	20,939,582	16,208,096
Book value of long-term assets	20,269,831	(16,305,151)
	669,751	(97,055)
Zakatable income for the year	382,937	397,368
Zakat base	1,052,687	397,368

b. Accrued Zakat

The movement in accrued Zakat during the year ending December 31 is as follows:

	2014G (SR'000)	2013G (SR'000)
Balance at beginning of the year	36.959	11.371
Add: Charge for the year	26.600	31.112
Less: Payments during the year	(6.268)	(5.524)
Balance at end of the year	57.291	36.959

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

c. Status of assessments

The Company has filed the Zakat returns up to the year 2013G and obtained restricted Zakat certificates.

The DZIT issued Zakat assessments for the years 2006G to 2008G and claimed additional Zakat and withholding tax differences of SR 90.4 million in addition to a delay penalty. The case was transferred to the Higher Appeal Committee (HAC) which requested some additional documents which were provided by the Company. 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 HAC issued a decision supporting the DZIT. The Company will appeal against the HAC decisions at the Board of Grievances. The Company is of the view that given a fair review of the assessments, their view may prevail. No provision is made for the additional Zakat and withholding tax liability in these financial statements.

The DZIT issued Zakat assessments for the years 2009G to 2011G and claimed additional Zakat, withholding tax and delay penalty differences of SR 64.7 million. The Company has filed an objection against this assessment and submitted the documents supporting the objection. The Company is of the view that given a fair review of the assessments for the years 2009G to 2011G, their view may prevail for most of the items under objection. On prudence basis, the Company made a partial provision of SR 26.6 million during 2013G.

ECIHC and IZDCL have finalized their Zakat status up to the year 2011G and have also filed the Zakat return for the year 2012G and obtained an unrestricted Zakat certificate. The filing of the Zakat return for the year 2013G is in progress.

REOM, REM and RED were incorporated during the year ending December 31, 2013G and were not subject to Zakat. However, these are currently in the process of registration with DZIT.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

26. 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.

27. OPERATING LEASES

Operating lease commitments - Group as lessee

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

	2014G (SR'000)	2013G (SR'000)
Within one year	1,404	4,022

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 of the reporting date but not recognised as receivables, are as follows:

	2014G (SR'000)	2013G (SR'000)
Within one year	38,492	21,909
After one year but not more than five years	140,758	79,386
More than five years	554,319	316,322
	733,569	417,617

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

28. 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 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 loans from Ministry of Finance and commercial bank and Murabaha deposits. Market prices comprise 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 and commercial banks. 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 27.2% (2013G: 43%) of outstanding accounts receivable as of December 31, 2014G.

The Group manages 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.

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 of December 31, 2014G, financial liabilities of SR 186 million (2013G: SR 213.6 million) are payable within 3 months and the remaining financial liabilities are payable within 4 to 12 months, of the year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDING DECEMBER 31, 2014G

29. 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 amounts due from an affiliate and its financial liabilities consist of payables and accruals and loans from MoF and commercial banks. The management believes that the fair values of financial instruments are not materially different from their carrying values.

30. 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. The Group had commitments as of December 31, 2014G amounting to SR 2,963 million (2013G: SR 1,602 million) related to future capital expenditure for the development of KAEC.
- c. The Group's bankers have issued letters of credit amounting to SR 109.3 million (SR 101.2 million) on which there is a cash margin of SR 0.4 million.

31. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised to issue by the Board of Directors on Rabi Al Thani 29, 1436H, corresponding to February 18, 2015G.





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