DAR AL ARKAN

REAL ESTATE DEVELOPMENT COMPANY

SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITORS' LIMITED REVIEW REPORT
FOR THE THREE-MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2013

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' LIMITED REVIEW REPORT FOR THE THREE-MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2013

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AUDITORS' LIMITED REVIEW REPORT

To the Shareholders
Dar Al Arkan Real Estate Development Company
(A Saudi Joint Stock Company)
Riyadh – Kingdom of Saudi Arabia

Scope of review

We have reviewed the accompanying interim consolidated balance sheet of **Dar Al Arkan Real Estate Development Company** (A Saudi joint stock company) (the "Company") as at December 31, 2013 and the related interim consolidated statement of income for the three-month period and the year then ended and the interim consolidated statements of cash flows and changes in shareholders' equity for the year then ended, prepared by the Company and submitted to us with all the information and explanations which we required. These interim consolidated financial statements are the responsibility of the Company's management.

We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A limited review of interim financial statements consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. This limited review is substantially less in scope than an audit conducted in accordance with the Auditing Standards Generally Accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review result

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with the Accounting Standards Generally Accepted in the Kingdom of Saudi Arabia.

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Rabi Al Awwal 13, 1435
January 14, 2014

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2013

	Notes	2013 (Unaudited) SR 000	2012 (Audited) SR 000
ASSETS			
Current Assets			
Cash and cash equivalents		2,279,132	535,771
Accounts receivable, net	(5)	1,364,297	1,492,749
Prepaid expenses and others	(6)	484,201	632,781
Due from a related party	(7 a)	143	143
Projects in progress – short-term	(8 a)	44,529	46,702
Developed land – short-term		927,110	844,332
Total Current Assets		5,099,412	3,552,478
Non-Current Assets			
Projects in progress – long-term	(8 b)	8,780,457	7,138,585
Investments in land under development	(9)	4,864,302	5,605,630
Developed land – long-term		1,936,614	2,124,441
Investment properties, net	(10)	2,694,638	2,737,060
Investment in associates	(11)	747,407	744,157
Property and equipment, net	(12)	74,370	77,674
Deferred charges, net	(13)	132	264
Total Non-Current Assets		19,097,920	18,427,811
TOTAL ASSETS		24,197,332	21,980,289
LIABILITIES AND EQUITY			
Current Liabilities			
Islamic borrowings – current portion	(14)	744,308	1,095,120
Due to a related party	(7 b)	196,246	198,101
Accounts payable	(16)	267,098	256,133
Accrued expenses and others	(17)	820,242	813,642
Total Current Liabilities		2,027,894	2,362,996
Non-Current Liabilities			
Islamic borrowings	(14)	5,159,269	3,289,359
Provision for end-of-service indemnities	(18)	17,348	16,575
Total Non-Current Liabilities		5,176,617	3,305,934
Total liabilities		7,204,511	5,668,930
Shareholders' Equity			
Share capital	(19)	10,800,000	10,800,000
Statutory reserve		884,914	816,768
Retained earnings		5,307,907	4,694,591
Total Shareholders' Equity		16,992,821	16,311,359
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		24,197,332	21,980,289

Managing Director

Chief Financial Officer

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE-MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2013

	Notes	Three-month period ended 31 December 2013 (Unaudited) SR 000	31 December 2012 (Unaudited) (Refer Note 22) SR 000	Year ended 31 December 2013 (Unaudited) SR 000	31 December 2012 (Audited) SR 000
Revenues from operations		**692,927**	876,850	**2,931,168**	3,557,072
Cost of operations		**(429,962)**	(568,025)	**(1,778,097)**	(2,163,366)
Gross profit	(4)	**262,965**	308,825	**1,153,071**	1,393,706
Operating expenses:					
General, administrative, selling and marketing expenses		**(32,416)**	(47,888)	**(151,027)**	(153,898)
Depreciation	(10, 12)	**(960)**	(4,671)	**(4,011)**	(21,197)
Amortisation of deferred charges	(13, 14 a)	**(8,830)**	(14,309)	**(27,654)**	(34,184)
Income for the period/ year from operating activities		**220,759**	241,957	**970,379**	1,184,427
Other Income / (expenses) :					
Share of income from investment in associates	(11)	-	450	**3,250**	850
Islamic Murabaha charges		**(24,685)**	(59,572)	**(110,341)**	(110,226)
Islamic Sukuk charges		**(66,869)**	(34,124)	**(203,618)**	(153,860)
Other income, net		**31,555**	(1,843)	**39,320**	92,776
Income for the period/year before Zakat		**160,760**	146,868	**698,990**	1,013,967
Zakat provision	(17 a)	**(3,928)**	(2,830)	**(17,528)**	(25,430)
Net income for the period/year		**156,832**	144,038	**681,462**	988,537
Earnings per share for the period /year (in Saudi Riyal)	(20)				
From operating activities		**0.20**	0.22	**0.90**	1.10
From net income		**0.15**	0.13	**0.63**	0.92

Managing Director

Chief Financial Officer

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 (Unaudited) SR 000	2012 (Audited) SR 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income for the year before zakat	698,990	1,013,967
Adjustment for:		
Depreciation	50,499	42,521
Amortisation of deferred charges	27,654	34,184
Provision for end-of-service indemnities	2,133	3,252
Share of income from investment in associates	(3,250)	(850)
Gain on disposal of investment in associates	-	(56,700)
Changes in operating assets and liabilities		
Accounts receivable	128,452	(265,041)
Prepaid expenses and others	(5,290)	61,744
Projects in progress – short-term	2,173	17,767
Developed land	105,049	(102,413)
Accounts payable	10,965	(82,463)
Accrued expenses and others	50,424	24,952
Cash generated from operations	1,067,799	690,920
Zakat paid	(61,352)	(5,046)
End-of-service indemnities paid	(1,360)	(835)
Net cash from operating activities	1,005,087	685,039
CASH FLOWS FROM INVESTING ACTIVITIES		
Projects in progress – long-term	(1,641,872)	108,765
Investments in land under development	741,328	(522,704)
Advance payments to purchase land	153,870	(187,764)
Investment properties	(4,066)	(20,843)
Proceeds from disposal of investment in associates	-	1,001,700
Purchase of property and equipment	(707)	(455)
Net cash (used in)/ from investing activities	(751,447)	378,699
CASH FLOWS FROM FINANCING ACTIVITIES		
Islamic borrowings	1,491,576	(3,041,138)
Due to a related party	(1,855)	7,397
Net cash from/(used in) financing activities	1,489,721	(3,033,741)
Increase/ (decrease) in cash and cash equivalents	1,743,361	(1,970,003)
Cash and cash equivalents, beginning of the year	535,771	2,505,774
CASH AND CASH EQUIVALENTS, END OF THE YEAR	2,279,132	535,771
Non-cash transaction		
Projects under progress long term	-	599,584
Investment in associates	-	(525,547)
Non controlling Interest	-	(264,741)
Due to related parties	-	190,704

Managing Director

Chief Financial Officer

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Share Capital	Statutory Reserve	Retained Earnings	Total shareholders' equity
2012	SR 000	SR 000	SR 000	SR 000
(Audited)				
Balance as at 1 January 2012	10,800,000	716,768	3,806,054	15,322,822
Net income for the year	-		988,537	988,537
Transfer to statutory reserve	-	100,000	(100,000)	-
Balance as at 31 December 2012	10,800,000	816,768	4,694,591	16,311,359
2013				
(Unaudited)				
Balance as at 1 January 2013	**10,800,000**	**816,768**	**4,694,591**	**16,311,359**
Net income for the year	-	-	**681,462**	**681,462**
Transfer to statutory reserve	-	**68,146**	**(68,146)**	-
Balance as at 31 December 2013	**10,800,000**	**884,914**	**5,307,907**	**16,992,821**

Managing Director

Chief Financial Officer

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

1. GENERAL INFORMATION:

DAR AL-ARKAN REAL ESTATE DEVELOPMENT COMPANY (the “Company”), is a Saudi Joint Stock Company, registered in Riyadh under the Commercial Registration No. 1010160195 dated 16/4/1421H (corresponding to 18/7/2000G).

The Company and its subsidiaries (collectively referred as the “Group”) are predominantly engaged in the business of development, sale and lease of real estate projects and associated activities.

The Group operates in general construction of residential and commercial buildings (construction, maintenance, demolition and reconstruction). Below is the nature of business of the Group’s subsidiaries:

DAR AL-ARKAN PROPERTIES COMPANY – is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No: 1010254063, dated 25/7/1429H (corresponding to 28/7/2008G). It operates in development and acquisition of commercial and residential real estate. It provides management, operation and maintenance of residential and commercial buildings and public facilities.

DAR AL-ARKAN PROJECTS COMPANY – is a limited liability company, a wholly owned subsidiary, company registered in Riyadh under the Commercial Registration No. 1010247583, dated 28/3/1429H (corresponding to 5/4/2008G). It operates in general construction of residential and commercial buildings (construction, maintenance, demolition and restructuring).

DAR AL-ARKAN COMMERCIAL INVESTMENT COMPANY – is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010247585, dated 28/3/1429H (corresponding to 5/4/2008G). It operates in purchase and acquisition and lease of real estate investments.

DAR AL-ARKAN SUKUK COMPANY – is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010256421, dated 16/9/1429H (corresponding to 16/9/2008G). It operates in Real Estate investments and development.

SUKUK AL-ARKAN COMPANY – is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010274407, dated 11/10/1430H (corresponding to 01/10/2009G). It operates in development, maintenance and management of real estates, purchase of land and general contracting.

THAWABIT INVESTMENT COMPANY– is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010275449, dated 30/10/1430H (corresponding to 19/10/2009G). It operates in Real Estate investments and development.

DAR SUKUK INTERNATIONAL COMPANY – is a limited liability company, formerly known as Siyada Investment Company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No: 1010275448, dated 30/10/1430H (corresponding to 19/10/2009G). It operates in Real Estate investments and development.

Dar Al-Arkan Real Estate Development Company wholly owns directly and indirectly the above mentioned subsidiaries.

The accompanying interim consolidated financial statements include the assets, liabilities and the results of operations of the subsidiaries mentioned above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim consolidated financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia issued by the Saudi Organisation of Certified Public Accountants (SOCPA).

2.2 ACCOUNTING CONVENTION

The interim consolidated financial statements have been prepared on the historical cost basis, using accrual basis and going concern assumption except for commission rate swaps which are measured at fair value and investments in associates which are accounted for under the equity method of accounting.

2.3 BASIS OF CONSOLIDATION

The interim consolidated financial statements of the Group incorporate the financial statements of the companies and enterprises controlled by the Group (its subsidiaries) made up to 31 December 2013.

Subsidiaries are entities over which the Group has the power to control the financial and operating policies to obtain economic benefit to the Group. Subsidiaries are fully consolidated from the effective date of acquisition up to the effective date of disposal, as appropriate.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets acquired/transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are initially measured at the fair value at the acquisition date irrespective of the extent of any non-controlling interests. The interests of non-controlling shareholders are stated at the non-controlling proportion of the assets and liabilities recognised. Subsequently, any losses applicable to the non-controlling interests in excess of the non-controlling interests are allocated against the interests of the parent.

The excess of cost of acquisition over the Group's share of identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the carrying value of the identifiable net assets acquired (i.e. discount on acquisition) is recognised directly in the interim consolidated statement of income.

All intra-group transactions, balances, and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Investments in associates
An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results, assets and liabilities of associates are incorporated in these interim consolidated financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the interim consolidated balance sheet at the Group's share of the net assets of the associate. Losses of the associates in excess of the Group's interests in those associates are not recognised.

Any excess of cost of acquisition over the Group's share of the identifiable net assets acquired of the associate at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any deficiency of the cost of acquisition below the Group's share of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is recognised in the interim consolidated statement of income.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interests in the relevant associate or joint venture. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

2.4 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost less estimated residual value of assets, other than land, over their estimated useful lives, using the straight-line method, on the following basis:

Buildings	3%
Leasehold improvements	5% - 20%
Vehicles	25%
Machinery and tools	20%
Office equipment	20% - 25%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the interim consolidated statement of income.

At each date of preparation of the interim consolidated financial statements, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

2.5 INVESTMENT PROPERTIES

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost less estimated residual value of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following basis:

Buildings	3%

Gains or losses arising from the retirement or disposal of investment properties being the difference between the net disposal proceeds and carrying value are included in the interim consolidated statement of income for the period of the retirement/disposal except those that relate to sale and leaseback arrangements.

2.6 FINANCE CHARGES

Financing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other financing costs are recognised in the interim consolidated statement of income in the period in which they are incurred.

2.7 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's interim consolidated balance sheet when the Group has become a party to the contractual provisions of the instrument.

Accounts receivable
Accounts receivable are initially recognised at transaction value. They are subsequently measured for their realisable value and a provision for impairment is made where there is objective evidence, (including customers with financial difficulties or in default on payments), that amounts will not be recovered in accordance with original terms of the agreement. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the interim consolidated statement of income.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and at bank and other short-term deposits held by the Group with maturities of less than three months.

Financial liabilities
Financial liabilities are classified according to the substance of the contractual arrangements entered into. Financial liabilities include Islamic Sukuk and Islamic Murabaha; these are recorded initially at cost. Direct transaction costs are subsequently carried at their amortised cost and are recognised in the interim consolidated statement of income over the term of the instrument.

Accounts payables
Accounts payables are initially recognised at cost and subsequently at amortised cost using the effective commission method.

Commission rate swaps
Commission rate swaps are measured at fair value. Fair value is recorded as an asset when the fair value is positive and as a liability when the fair value is negative. The fair value is determined as per the market quoted prices, cash flow discount and pricing methods, as appropriate.

Changes in fair value of commission rate swaps held for trading are recognised directly in the interim consolidated statement of income, and are included in other income.

2.8 IMPAIRMENT OF TANGIBLE ASSETS

At the date of each interim consolidated balance sheet, the Group reviews the carrying amounts of its tangible assets for any indication that those assets have suffered impairment losses. When such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of realisable value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in the interim consolidated statement of income.

2.9 REVENUE RECOGNITION

Revenue represents the sale of residential properties and land. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and significant risks and rewards of ownership have been transferred to the buyer. Revenue is measured at the value of consideration received. With respect to rental income, the Group recognises revenue on a straight line basis over the lease term.

2.10 ZAKAT

Zakat is calculated and recognised in the interim consolidated statement of income for the period and for each financial period separately pursuant to Zakat Regulation in the Kingdom of Saudi Arabia. The provision for Zakat is adjusted in the financial period in which the final assessment of Zakat is issued. Variances between the amount of provision for Zakat as per the consolidated financial statements and the provision as per final assessment issued by the Department of Zakat and Income Tax (“DZIT”) are recognised in the interim consolidated statement of income as changes in accounting estimates and included in the financial period in which the final assessment of Zakat is issued.

2.11 FOREIGN CURRENCIES

Transactions in currencies other than Saudi Riyals, the presentational and functional currency of the Group, are recorded at the rates of exchange prevailing on the dates of the transactions. At each interim consolidated balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated to Saudi Riyals at the rates prevailing on the interim consolidated balance sheet date. Non-monetary assets and liabilities that are denominated in foreign currencies are translated to Saudi Riyals at the rates prevailing at the date when the cost was determined.

2.12 STATUTORY RESERVE

According to the article (176) of the Companies’ Regulation, the Group retains 10% of net income against the statutory reserve. The Group may stop the deductions when this reserve reaches 50% of the share capital. This reserve is not available for dividend distribution.

2.13 END-OF-SERVICE INDEMNITIES

The Group provides end-of-service benefits to its employees in accordance with the labour law provision of Saudi Arabia. The entitlement to these indemnities is based upon the employee's final salary, length of service and the completion of a minimum service period. The costs of these indemnities are accrued over the period of employment at the rate of the employee’s current salary and are paid on cessation of employment.

2.14 RETIREMENT BENEFIT COSTS

The Group makes contributions in line with the General Organisation for Social Insurance Regulations and are calculated as a percentage of employees' wages. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan. Payments made to defined contribution retirement benefit plans are charged as an expense as they fall due.

2.15 LEASING

Rentals payable under operating leases are charged to the interim consolidated statement of income on a straight-line basis over the term of the relevant lease.

2.16 OPERATING EXPENSES

The Group follows accrual basis of accounting to record the operating expenses and recognised as expenses in the interim consolidated statement of income in the period in which they are incurred. Expenses that are deferred for more than one financial year are allocated to expenses over such periods using historical cost.

3. USE OF ESTIMATES

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

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments
For management reporting purposes, management has organized the Group around three divisions which match its entity structure. These are in line with its strategic planning and business model and include DAR Projects, DAR Investments and DAR Properties.

Geographical regions
The Group operates exclusively in Saudi Arabia and all its revenues derive from its portfolio of properties which the Group manages. As such there is no additional geographical information.

Products and services
DAR projects is principally focused on the development of basic infrastructure on undeveloped land and the sale of such land ("Sale of land") and the development of residential and commercial projects for Sale ("Sale of residential properties") or leasing such developed properties to generate rental revenue ("Lease income").

Information in respect of these products is presented below:

	For the year ended 31 December	
	2013 (Unaudited)	**2012 (Audited)**
	SR 000	**SR 000**
REVENUES FROM OPERATIONS		
Sale of residential properties	**459**	25,293
Sale of land	**2,822,281**	3,478,997
Leasing of properties	**108,428**	52,782
Total	**2,931,168**	3,557,072
COST OF OPERATIONS		
Residential properties	**363**	21,026
Land	**1,731,246**	2,121,016
Leasing of properties	**46,488**	21,324
Total	**1,778,097**	2,163,366
GROSS PROFIT		
Residential properties	**96**	4,267
Land	**1,091,035**	1,357,981
Leasing of properties	**61,940**	31,458
Total	**1,153,071**	1,393,706

5. ACCOUNTS RECEIVABLE, NET

	2013 (Unaudited)	**2012 (Audited)**
	SR 000	**SR 000**
Customers	**1,368,776**	1,497,228
Provision for doubtful debts	**(4,479)**	(4,479)
Total	**1,364,297**	1,492,749

6. PREPAID EXPENSES AND OTHERS

	2013 (Unaudited)	**2012 (Audited)**
	SR 000	**SR 000**
Advance payments to purchase land	**409,400**	563,270
Prepaid expenses and other assets	**39,564**	11,123
Accrued income	**14,624**	16,589
Advance payments to contractors	**12,308**	14,242
Employees’ advances and receivables	**5,780**	4,070
Advance payments to suppliers	**2,487**	13,419
Positive value of commission rate SWAP (Note 15)	**2**	10,032
Others	**36**	36
Total	**484,201**	632,781

7. RELATED PARTY TRANSACTIONS

a) Due from a related party

During the year, the Group sold residential homes to individuals who sought financing from Saudi Home Loans, which is an associate to the Group. In these instances, Saudi Home Loans pays the consideration in respect of the residential property sold to the Group on behalf of the individual. There is no recourse to the Group if such lending by Saudi Home Loans results in a bad debt. The details of the transactions are as follows:

	For the year ended 31 December	
	2013 (Unaudited)	2012 (Audited)
	SR 000	SR 000
Balance, beginning of the year	**143**	143
Sales	**-**	11,054
Commission	**-**	(13)
Collections	**-**	(11,041)
Balance, end of the year	**143**	143

b) Due to a related party

Management of Khozam Real Estate Development Company (KDC), which is an associate of the Group, requested the Group to invest its excess cash balance at a nominal profit. The details of the transactions are as follows:

	For the year ended 31 December	
	2013 (Unaudited)	2012 (Audited)
	SR 000	SR 000
Balance, beginning of the year	**198,101**	**205,425**
Repayment of advances	**(3,815)**	**(8,794)**
Profit charged	**1,960**	**1,470**
Balance, end of the year	**196,246**	198,101

c) Other related party transactions

(i) Bank Alkhair B.S.C

The Group engaged Bank Alkhair B.S.C, a non-associate entity, to provide general financial advisory, Shariah' compliance advises and management support for the recent international sukuk. The details of the transactions, included in accounts payable (refer note: 16), are as follows:

	For the year ended 31 December	
	2013 (Unaudited)	2012 (Audited)
	SR 000	SR 000
Fees and expenses charged during the year	**6,733**	-
Amount paid during the year	**(5,437)**	-
Balance, end of the year	**1,296**	-

(ii) Alkhair Capital Saudi Arabia

The Group directly and through Bank Alkhair B.S.C engaged Alkhair Capital Saudi Arabia, an associate entity, to provide general financial advisory, representing and filing the documents on behalf of the Group for requirements with CMA and other statutory bodies, Shariah' compliance reviews and management support for the recent international sukuk issuances and the partial pre-closure of sukuk III. The details of the transactions indirectly through Bank Alkhair B.S.C, are as follows:

Transactions for Group's engagement through Bank Alkhair B.S.C	For the year ended 31 December	
	2013 (Unaudited)	2012 (Audited)
	SR 000	SR 000
Fees and expenses shared during the year	**1,406**	-
Total amount for the year	**1,406**	-

For the year ended 31 December 2013 and 2012, no other transactions were entered with entities that have common Board Members or Shareholders to the Group.

8. PROJECTS IN PROGRESS

a) Projects in progress – short-term:

	2013 (Unaudited)	2012 (Audited)
	SR 000	SR 000
Residential and commercial development	**44,529**	46,702
Total	**44,529**	46,702

Short-term projects in progress represent costs incurred on projects executed by the Group for the purpose of re-sale in the short term.

b) Projects in progress – long-term:

	2013 (Unaudited)	2012 (Audited)
	SR 000	SR 000
Residential and commercial development	**2,718,238**	3,214,085
Land development projects	**6,062,219**	3,924,500
Total	**8,780,457**	7,138,585

Long-term projects in progress represent residential projects and land owned by the Group, which will not be completed within the next twelve months and are held for future revenue generation.

During the year, the Group's management capitalised Islamic Sukuk charges in the amount of SR 88.54 million (31 December 2012: 141.90 million) under projects in progress.

9. INVESTMENTS IN LAND UNDER DEVELOPMENT

This represents the Group's co-ownership in land with third parties according to contracts for land development.

10. INVESTMENT PROPERTIES, NET

	For the year ended 31 December	
	2013 (Unaudited)	**2012 (Audited)**
	SR 000	**SR 000**
COST		
At beginning of the year	**2,784,469**	2,763,626
Additions	**4,066**	15,575
Capitalisation of borrowing costs	**-**	5,268
At end of the year	**2,788,535**	2,784,469
ACCUMULATED DEPRECIATION		
At beginning of the year	**47,409**	10,273
Charged during the year	**46,488**	37,136
At end of the year	**93,897**	47,409
CARRYING AMOUNT AT THE END OF THE YEAR	**2,694,638**	2,737,060

Included within investment properties is land with an original cost of SR 578.1 million (31 December 2012: SR 578.1 million).

11. INVESTMENT IN ASSOCIATES

This represents investment in shares of the companies that are not publicly traded. The Group's ownership in these companies ranges from 15% to 51%. Movement in investment in associates is as follows:

	For the year ended 31 December	
	2013 (Unaudited)	**2012 (Audited)**
	SR 000	**SR 000**
Balance, beginning of the year	**744,157**	1,162,760
Sold during the year	**-**	(945,000)
Transfer on deconsolidation	**-**	525,547
Share of income	**3,250**	850
Balance, end of the year	**747,407**	744,157

a. Summarised details of holding in respect of the Group's associates is set out below:

Name of the entity	**Amount invested**	**% of Holding**
	SR 000	
Saudi Home Loans	**120,000**	**15%**
Alkhair Capital Saudi Arabia	**102,000**	**34%**
Khozam Real Estate Development Company	**525,547**	**51%**
Accumulated share of losses	**(140)**	
Balance, end of the year	**747,407**	

Details of transactions with associates are disclosed under Note 7 "Related Party Transactions" of these interim consolidated financial statements.

12. PROPERTY AND EQUIPMENT, NET

Details of cost, accumulated depreciation and net book value of property and equipment are as follows:

	Land and Buildings	Leasehold improvements	Vehicles	Machinery and tools	Office Equipment	Total
	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000
Cost						
Balance at 1 January 2013	**109,145**	**19,037**	**9,250**	**13,536**	**39,411**	**190,379**
Additions for the year	**-**	**-**	**-**	**-**	**707**	**707**
Balance at 31 December 2013	**109,145**	**19,037**	**9,250**	**13,536**	**40,118**	**191,086**
Accumulated Depreciation						
Balance at 1 January 2013	**33,075**	**18,866**	**9,184**	**13,404**	**38,176**	**112,705**
Depreciation for the year	**3,016**	**104**	**64**	**38**	**789**	**4,011**
Balance at 31 December 2013	**36,091**	**18,970**	**9,248**	**13,442**	**38,965**	**116,716**
Net book 31 December 2013	**73,054**	**67**	**2**	**94**	**1,153**	**74,370**
Net book value 31 December 2012 (Audited)	76,070	171	66	132	1,235	77,674

Included within land and buildings are land with an original cost of SR 9.50 million (31 December 2012: SR 9.50 million).

13. DEFERRED CHARGES, NET

The movement during the year is as below:

	For the year ended 31 December	
	2013 (Unaudited)	2012 (Audited)
	SR 000	SR 000
Balance, beginning of the year	**264**	967
Amortisation charge for the year	**(132)**	(703)
Balance , end of the year	**132**	264

14. ISLAMIC BORROWINGS

	2013 (Unaudited)	2012 (Audited)
	SR 000	SR 000
Islamic Sukuk	**4,600,000**	2,437,500
Islamic Murabaha	**1,389,321**	2,002,941
	5,989,321	4,440,441
Less: Un-amortised transaction costs	**(85,744)**	(55,962)
Islamic borrowings – end of the year	**5,903,577**	4,384,479
Less: Islamic borrowings – current portion	**(744,308)**	(1,095,120)
Islamic borrowings - long-term	**5,159,269**	3,289,359

(a) ***Islamic borrowings transaction costs***:

	For the year ended 31 December	
	2013 (Unaudited)	2012 (Audited)
	SR 000	SR 000
Balance, beginning of the year	**55,962**	55,367
Additions during the year	**63,068**	46,742
Capitalisation during the year	**(5,764)**	(12,666)
Amortisation charge for the year	**(27,522)**	(33,481)
Balance, end of the year	**85,744**	55,962

Analysis of borrowings:

Islamic Sukuk

This represents SR 4.60 billion of Islamic Sukuk comprising:

1) SR 1.69 billion (USD 450 million) of Islamic Sukuk carried in the books of the Group, issued by Dar International Sukuk Company II at 10.75% and maturing in 2015.
2) SR 1.69 billion (USD 450 million) of Islamic Sukuk carried in the books of the Group, issued by Dar Al-Arkan Sukuk Company Ltd. at 5.75% and maturing in 2018.
3) SR 1.12 billion (USD 300 million) of Islamic Sukuk carried in the books of the Group, issued by Dar Al-Arkan Sukuk Company Ltd. at 5.75% and maturing in 2016.
4) SR 750 million of Islamic Sukuk issued by the Group maturing in 2014 of which SR 650 million repaid and cancelled during 2013 resulting in an outstanding balance of SR 100 million as at 31 December 2013.

The first three of the above listed Islamic Sukuk's are denoted in US dollars. Since the Saudi Arabian Riyal is limited to fluctuations in the US Dollar there is no exposure to foreign exchange risk. The investment profit is payable to the Saudi SPV, through which the Sukuk was issued, by the sale of properties owned by the Group. The beneficiary rights of these properties are with Dar Al Arkan Real Estate Development Company and its subsidiaries with the rights to buy back the ownership of these properties upon the full repayment of the Sukuk. The Group has issued a corporate guarantee to the Sukuk holders. The facility due in 2015 has index linked commission rate swap arrangements which effectively reduce the fixed rate commission (Note 15).

The Sukuk agreements include financial covenants, which the Group was in compliance with as at 31 December 2013.

Islamic Murabaha

This represents the bilateral Murabaha facilities from local and international commercial banks, secured against certain real estate properties, in the form of Islamic Murabaha, letters of guarantee and letters of credit. These facilities comprise of long- term and short- term tenures ranging from 6 months to 4 years with various repayment schedules like annual roll revolvers, bullet payments and installment repayments ranging from monthly, quarterly and half yearly as detailed below.

Summary of the Murabahas:

Maturity date	Outstanding Balance SR 000	Short-term SR 000	Long-term SR 000
2014	**86,072**	**86,072**	**-**
2015	**749,499**	**377,727**	**371,772**
2016	**553,750**	**190,833**	**362,917**
	1,389,321	**654,632**	**734,689**

The facility agreements include certain financial covenants, which the Group was in compliance with as at 31 December 2013.

15. COMMISSION RATE SWAP

The Group, through a shari'ah compliant arrangement, agreed to exchange fixed rate commission liability with floating rate commission amounts, calculated on agreed notional principal amounts. In July 2012, the group replaced its existing commission rate swap with two new index linked swap facilities for a notional amount of SR 843.75 million (US$ 225 million) each, maturing on 18 February 2015 whereby the counter party banks shall periodically calculate the floating commission rate based on their respective and designated index performance for the period and settle the differential amounts, if any with respect to the original fixed rate of the commission applicable for the securities at semi-annual basis. The index performance is capped at 10.75% and 12.55% respectively for this index linked swap facilities.

During October 2013, considering the steady upward change of commission rate and to avoid losses, the Group had cancelled and closed one of its index linked commission rate swap capped at 12.55%.

The cumulative fair value of this agreement which does not qualify for hedge accounting in accordance with generally accepted accounting standards amounted to SR 2.0 thousand (USD 0.5 thousand) (31 December 2012: SR 10.03 million (USD 2.67 million). The change in the fair value during the year amounting to SR 10.03 million (USD 2.67 million) has been recognised as other expense in the interim consolidated statement of income (SR 42.81 million (USD 11.42 million) for the year ended 31 December 2012).

16. ACCOUNTS PAYABLE

	2013 (Unaudited)	2012 (Audited)
	SR 000	SR 000
Contractors	**157,435**	201,925
Advances from customers	**81,169**	3,305
Suppliers (a)	**28,494**	39,431
Others	**-**	11,472
Total	**267,098**	256,133

(a) Suppliers include SR 114K balance due to a related party (refer Note 7c (i)).

17. ACCRUED EXPENSES AND OTHERS

	2013 (Unaudited)	2012 (Audited)
	SR 000	SR 000
Zakat provision (c)	**600,245**	644,069
Islamic Sukuk charges	**84,579**	74,134
Unearned revenue	**68,399**	6,546
Dividend payable	**35,749**	36,027
Islamic Murabaha charges	**17,437**	29,526
Accrued expenses	**13,833**	23,340
Total	**820,242**	813,642

Zakat provision

a) The principal elements of the Zakat base are as follows:

	2013 (Unaudited) SR 000	2012 (Audited) SR 000
Zakat base:		
Share capital and statutory reserve – beginning of the year	**11,616,768**	11,516,768
Provisions – beginning of the year after deduction of amounts paid during the year	**582,717**	618,639
Adjusted net income for the year – Note 17/b	**701,123**	1,017,219
Retained earnings after dividends	**4,694,591**	3,806,054
Islamic Murabaha	**734,689**	895,571
Islamic Sukuk	**1,687,500**	2,381,538
Total Zakat base	**20,017,388**	20,235,789
Deductions:		
Total deduction after adjustment	**(20,434,430)**	(19,835,413)
Zakat base	**(417,042)**	400,376
Estimated Zakat provision for the year	**17,528**	25,430

b) Adjusted net income for the year:

	2013 (Unaudited) SR 000	2012 (Audited) SR 000
Adjusted net income:		
Income for the year before Zakat	**698,990**	1,013,967
Provisions	**2,133**	3,252
Adjusted net income	**701,123**	1,017,219

c) ***The movement in provision for Zakat is as follows***:

	For the year ended 31 December	
	2013 (Unaudited) SR 000	2012 (Audited) SR 000
Balance beginning of the year	**644,069**	623,685
Estimated Zakat for the year	**17,528**	25,430
Paid during the year	**(61,352)**	(5,046)
Estimated Zakat provision, end of the year	**600,245**	644,069

d) The Company has received the assessments from DZIT for the years 2003 to 2009 and has filed an objection for the years 2008 and 2009 which is issued with an additional zakat liability. The basis for this additional liability is being formally contested by the Company and is awaiting a response from DZIT. The management believes that the ultimate outcome of the appeals filed and actions taken by the Company cannot be determined reliably at this stage, however, the carrying provisions are sufficient to meet any additional liability, if required. The Company has not received DZIT assessment for year 2010 and 2011. The filing of the consolidated zakat return for year 2012 is currently under process.

18. PROVISION FOR END-OF-SERVICE INDEMNITIES

This item represents the balance of provision for end-of-service indemnities and the movement during the period is as below:

	For the year ended 31 December	
	2013 (Unaudited)	**2012 (Audited)**
	SR 000	**SR 000**
Balance, beginning of the year	**16,575**	14,158
Charged to expenses during the year	**2,133**	3,252
Paid during the year	**(1,360)**	(835)
Balance, end of the year	**17,348**	16,575

19. SHARE CAPITAL

The Company has one class of 1,080,000,000 authorised, issued and fully paid ordinary shares of SR 10 each, which carry no right to fixed income.

20. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	For the year ended 31 December	
	2013 (Unaudited)	**2012 (Audited)**
	SR 000	**SR 000**
Earnings		
For the purpose of basic earnings per share:		
Income for the year from operating activities	**970,379**	1,184,427
Net income for the year	**681,462**	988,537
Number of shares	**Number**	**Number**
Weighted average number of ordinary shares For the purpose of basic earnings per share	**1,080,000,000**	1,080,000,000

There is no dilution of ordinary shares and as such the basic and diluted earnings per share calculation are consistent.

21. COMMITMENTS

As at 31 December 2013, the Group has commitments which represent the value of the part not yet executed from the projects development contracts amounting to SR 85 million (31 December 2012: SR 107 million).

22. COMPARATIVE FIGURES

The figures for the three-month period ended 31 December 2012 in the interim consolidated statement of income were arrived at by extracting the three-month period beginning 1 October 2012 till 31 December 2012 from the audited consolidated statement of income for the year ended 31 December 2012.

23. INTERIM RESULTS

The results of operations for the interim periods may not be a fair indication of the results of the full year operations of the Group.