

**DAR AL ARKAN
REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S
LIMITED REVIEW REPORT FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016**

**DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S LIMITED
REVIEW REPORT FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016**

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October 16, 2016

INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT

*To the **Board of Directors***

Dar Al Arkan Real Estate Development Company

(A Saudi Joint Stock Company)

Riyadh – Kingdom of Saudi Arabia)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Dar Al Arkan Real Estate Development Company** (A Saudi joint stock company) and its subsidiaries (the "Group"), as at September 30, 2016 and the related interim condensed consolidated statements of profit or loss and the other comprehensive income for the three-month and the nine-month periods then ended and the interim condensed consolidated cash flows and changes of shareholders' equity for the nine-month period then ended and the related notes from (1) to (26) which form an integral part of these interim financial statements. The Company's management is responsible for the preparation and presentation of these Interim consolidated financial statements in accordance with International Accounting Standard No. 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with auditing standards generally accepted in the kingdom of Saudi Arabia applicable to limited review engagements and with international standard of review engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" A review of the interim financial statements consists principally of applying analytical procedures to financial data and making inquiries of the persons responsible for financial and accounting matters. A limited review is substantially less in scope than the audit conducted in accordance with the Auditing Standards Generally Accepted in the Kingdom of Saudi Arabia and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express such an audit opinion.



AlKharashi & Co.

Certified Accountants And Auditors

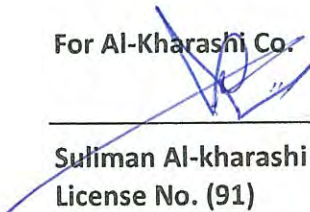
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard No.34.

Emphasis of a Matter

This report is issued in conformity with international financial Reporting Standards for management purposes and should not be considered as a replacement to the Company's interim condensed consolidated financial statements issued in accordance with Generally Accepted Accounting Principles in the Kingdom of Saudi Arabia.

For Al-Kharashi Co.


Suliman Al-kharashi
License No. (91)



DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

	Notes	30 September 2016 (Unaudited) SR 000	31 December 2015 (Audited) SR 000
ASSETS			
Non-current assets			
Investment properties, net	5	3,443,300	3,501,637
Development properties	6	16,712,845	16,597,241
Property and equipment, net	7	66,176	68,416
Investments in associates	8	787,393	776,207
Other assets	9	828	-
Total non-current assets		21,010,542	20,943,501
Current assets			
Development properties	6	317,325	437,185
Trade receivables and others	10	2,409,556	2,923,496
Cash and cash equivalents	11	1,577,457	1,001,061
Total current assets		4,304,338	4,361,742
TOTAL ASSETS		25,314,880	25,305,243
LIABILITIES AND SHAREHOLDERS' EQUITY			
Non-current liabilities			
Borrowing -long-term maturity portion	12	4,597,914	4,760,617
End of service indemnities	13	22,385	20,973
Total non-current liabilities		4,620,299	4,781,590
Current liabilities			
Borrowings-short-term maturity portion	12	1,462,360	1,531,945
Trade payables and others	14	556,951	509,278
Zakat payables	15	535,051	555,757
Total current liabilities		2,554,362	2,596,980
Total liabilities		7,174,661	7,378,570
Shareholders' Equity			
Share capital	16	10,800,000	10,800,000
Statutory reserve		978,300	978,300
Retained earnings		6,361,919	6,148,373
Total shareholders' equity		18,140,219	17,926,673
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		25,314,880	25,305,243



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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME(UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

	Notes	Three-month period ended		Nine-month period ended	
		30 September 2016 SR 000	30 September 2015 SR 000	30 September 2016 SR 000	30 September 2015 SR 000
Revenue		617,571	540,949	1,459,735	1,791,995
Cost of revenue		(372,376)	(298,790)	(838,249)	(989,550)
GROSS PROFIT	4	245,195	242,159	621,486	802,445
Operating expenses:					
General and administrative expenses		(34,061)	(50,716)	(115,890)	(169,147)
Depreciation	7	(916)	(888)	(2,747)	(2,694)
OPERATING PROFIT		210,218	190,555	502,849	630,604
Share of income from investment in associates	8 a	3,950	2,600	9,686	9,600
Finance costs	17	(98,860)	(98,908)	(293,421)	(322,753)
Other income, net		60	359	(68)	1,209
PROFIT BEFORE ZAKAT		115,368	94,606	219,046	318,660
Zakat expense	15 a	(2,900)	(1,879)	(5,500)	(8,162)
NET PROFIT FOR THE PERIOD		112,468	92,727	213,546	310,498
Other comprehensive income:					
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		112,468	92,727	213,546	310,498
Total comprehensive income attributable to:					
Dar Al Arkan shareholders		112,468	92,727	213,546	310,498
Earnings per share (in Saudi Riyal)					
Basic and diluted	18	0.10	0.09	0.20	0.29

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



DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

	<u>Share capital</u> SR 000	<u>Statutory reserve</u> SR 000	<u>Retained earnings</u> SR 000	<u>Total equity</u> SR 000
<u>2016</u>				
Balance as at 1 January 2016	10,800,000	978,300	6,148,373	17,926,673
Net profit for the period	-	-	213,546	213,546
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	213,546	213,546
Balance as at 30 September 2016	10,800,000	978,300	6,361,919	18,140,219
<u>2015</u>				
Balance as at 1 January 2015	10,800,000	942,384	5,825,132	17,567,516
Net profit for the period	-	-	310,498	310,498
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	310,498	310,498
Balance as at 30 September 2015	10,800,000	942,384	6,135,630	17,878,014



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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS(UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

	2016 SR 000	2015 SR 000
OPERATING ACTIVITIES		
Profit before Zakat	219,046	318,660
Adjustment for:		
Depreciation	57,702	52,344
End of service indemnities	2,674	6,200
Provision for doubtful debts	1,000	3,804
Finance costs	293,421	322,753
Gain on disposal of property and equipment	-	(142)
Share of income from investment in associates	(9,686)	(9,600)
Operating cash flows before movements in working capital	564,157	694,019
Development properties	4,256	(29,211)
Trade receivables and others	512,940	(381,006)
Other assets	(828)	-
Trade payables and others	47,673	(24,204)
Cash from operations	1,128,198	259,598
Finance costs	(268,455)	(295,106)
Zakat paid	(26,206)	(21,325)
End-of-service indemnities paid	(1,262)	(798)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	832,275	(57,631)
INVESTING ACTIVITIES		
Investment properties	3,382	(3,354)
Investments in associates	(1,500)	-
Proceeds from disposal of property and equipment	-	142
Purchase of property and equipment	(507)	(505)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	1,375	(3,717)
FINANCING ACTIVITIES		
Short term deposit with banks	-	1,175,000
Long term borrowings	(257,254)	(1,297,851)
NET CASH USED IN FINANCING ACTIVITIES	(257,254)	(122,851)
INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	576,396	(184,199)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	1,001,061	1,135,196
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	1,577,457	950,997



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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016

1. GENERAL INFORMATION

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY (the "Company"), is a Saudi Joint Stock Company established under the Company Laws & Regulations of The Kingdom of Saudi Arabia. The Company is registered in Riyadh under Commercial Registration No. 101016019S dated 16/04/1421H, corresponding to 18/07/2000 G. The Company is domiciled in The Kingdom of Saudi Arabia (K.S.A.) and its registered office address is P.O. Box No: 105633, Riyadh-11656, K.S.A.

The equity shares of the Company are listed with the security market of The Kingdom of Saudi Arabia.

The Company and its Subsidiaries are collectively called "the Group" and is predominantly engaged in the business of development, sale and leasing of real estate projects and associated activities. The Company manages its activities through subsidiaries established for each line of business. These Subsidiaries operate under their own commercial registration and are summarised below:

DAR AL-ARKAN PROPERTIES COMPANY – is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010254063, dated 25/7/1429 H (corresponding to 28/7/2008 G). 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 28/3/1429 H (corresponding to 5/4/2008 G). 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 28/3/1429 H (corresponding to 5/4/2008 G). It operates in purchase and acquisition, 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 16/9/1429 H (corresponding to 16/9/2008 G). 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 11/10/1430 H (corresponding to 01/10/2009 G). 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 30/10/1430 H (corresponding to 19/10/2009 G). 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 30/10/1430 H (corresponding to 19/10/2009 G). 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 condensed consolidated financial statements include the assets, liabilities and the results of operations of the subsidiaries mentioned above.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with the International Accounting Standard No. 34 – “Interim Financial Reporting”, consistent with the Group’s accounting policies.

These interim condensed consolidated financial statements are presented in Saudi Riyals (SR), which is the Group’s functional currency..

2.2 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

Standards and interpretations effective in the current period

In the current period, the Group has adopted all new Interpretations issued by the International Financial Reporting Interpretation Committee (“IFRIC”) that are mandatory for adoption in the annual periods beginning on or after 1 January 2016.

IFRS 5	Amendments	- Changes in methods of disposal for non-current assets held for sale and discontinued operations
IFRS 7	Amendments	- Financial Instruments - servicing contracts and applicability of the amendments to IFRS 7 to condensed interim financial statements
IFRS 9	Amendments	- Financial Instruments
IFRS 10	Amendments	- Consolidated financial statements - Investment Entities: Applying the Consolidation Exception
IFRS 11	Amendments	- Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations
IFRS 12	Amendments	- Disclosure of interests in other entities- Investment Entities: Applying the Consolidation Exception
IFRS 14		- Regulatory Deferral Accounts
IFRS 15		- Revenue from contracts with customers
IFRS 16		- Leases
IAS 1	Amendments	- Presentation of Financial Statements - Disclosure Initiative
IAS 16 & 38	Amendments	- Property, Plant and Equipment -Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 19	Amendments	- Employee Benefits -discount rate: regional market issue
IAS 27	Amendments	- Equity Method in Separate Financial Statements
IAS 28	Amendments	- Investments in Associates and Joint Ventures-Investment Entities: Applying the Consolidation Exception
IAS 34	Amendments	- Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report

Generally the adoption of these interpretations has not led to any changes in the Group’s accounting policies except for IFRS 15 and IFRS 16 where the existing accounting policy has been modified to incorporate the requirements of IFRS 15 and IFRS 16 with respect to revenue from contract with customers and lease arrangements retrospectively. The Group did not have any “right-of use assets”, “lease liability” or revenue recognised from contract with customers in the current or comparable periods and hence there were no

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016 (CONTINUED)**

modification or changes in the financial statement disclosures provided in the interim condensed consolidated financial statements.

Standards and interpretations in issue but not yet adopted

The following standards, amendments and interpretations were in issue at the date of authorisation of these financial statements, but not yet effective, and therefore were not applied in these interim condensed consolidated financial statements.

The impact of the adoption of these standards is currently being assessed; however the directors anticipate that the adoption of these standards, amendments and interpretations in future periods will not have a significant impact on the interim condensed consolidated financial statements of the Group.

IFRS 10	Amendments	Consolidated financial statements - Amended by Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IAS 7	Amendments	Statement of Cash Flows -- disclosure initiative
IAS 12	Amendments	Income taxes - Recognition of Deferred Tax Assets for Unrealised Losses
IAS 27	Amendments	Investments in Associates and Joint Ventures- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

2.3 ACCOUNTING CONVENTION

The interim condensed consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial instruments at fair value and investment in associates at equity method. The principal accounting policies are set out below.

2.4 BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements of the Group incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 30 September 2016.

Subsidiaries

Subsidiaries are entities that are controlled by the Group. The Group controls an entity when, it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity. Subsidiaries are fully consolidated from the effective date of acquisition or 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 as the fair value of the assets given, 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 in a business combination are initially measured at 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 fair values 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 fair value of the Group's share of identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair value of identifiable net assets

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016 (CONTINUED)**

acquired (i.e. discount on acquisition) is recognised directly in the interim condensed consolidated statement of profit or loss and comprehensive 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 condensed consolidated financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the interim condensed consolidated financial position at cost as adjusted by the post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interests in those associates are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When a partial sale of an associate result in losing significant influence over that associate, the remaining investment is measured at fair value on the date of sale and recognised as a financial asset. The difference between the attributable share of carrying amount for the retaining interest in that associate and its fair value is included in the determination of gain or loss of the disposal of the associates. In addition, the Group reclassifies the gains or losses from equity, previously recognised in the other comprehensive income to the statement of profit or loss and comprehensive income.

Any excess of cost of acquisition over the Group's share of the fair values of identifiable net assets of the associate or joint venture at the date of acquisition is recognised 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 fair values of identifiable net assets of the associate or joint venture at the date of acquisition (i.e. discount on acquisition) is recognised in the interim condensed consolidated statement of profit or loss and comprehensive income.

Where a Group company transacts with an associate or joint venture 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.

2.5 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Cost includes all directly attributable expenses incurred in bringing the property and equipment to their present location, condition until the property and equipment is available for use.

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 rates:

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016 (CONTINUED)**

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 interim condensed consolidated profit or loss.

At each reporting date, 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 in interim condensed consolidated profit or loss immediately.

2.6 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%
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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 condensed consolidated profit or loss for the period of the retirement/disposal except those that relate to sale and leaseback arrangements.

2.7 DEVELOPMENT PROPERTIES

Development properties principally comprise completed projects (including properties held for sale and developed land held for sale) and projects under development (including property projects under construction, land projects under development and land waiting for development). Projects under development include those properties in progress of development or waiting for development to commence.

All development properties are accounted for at the lower of cost and net realisable value. Cost comprises direct material cost, direct labour costs, borrowing costs and those overheads that have been incurred in bringing the development properties to their present location and condition. Cost is calculated using the average method. Net realisable value represents the estimated selling price less all estimated costs to completion and selling costs to be incurred.

The operating cycle of development properties is such that the majority of development properties will not be realised within 12 months. These have been split between non-current and current development properties.

2.8 IMPAIRMENT OF TANGIBLE ASSETS

At each reporting date, the Group reviews the carrying amounts of its tangible assets for any indication that those assets have suffered impairment losses. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. 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 fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016 (CONTINUED)**

reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. 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 condensed consolidated profit or loss.

2.9 ISLAMIC BORROWING COSTS

Islamic borrowing 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 borrowing costs are recognised as finance costs in the interim condensed consolidated profit or loss in the period in which they are incurred.

2.10 FINANCIAL INSTRUMENTS

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

Trade receivables

Trade receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest rate method less any provision for impairment. 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. An allowance for impairment is recognised when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective commission rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the interim condensed consolidated profit or loss.

Cash and cash equivalents

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

Held for trading investments

Held for trading investments are recognised initially at fair value; transaction costs are taken directly to the interim condensed consolidated statement of income and thereafter stated at fair value by reference to exchange quoted market bid prices at the close of business on the interim condensed consolidated balance sheet date. The unrealized and realized gains and losses from sale of held for trading investments are recorded in the interim condensed consolidated statement of income.

Financial liabilities

Financial liabilities include Islamic Sukuk and Islamic Murabaha and are classified according to the substance of the respective contractual arrangement and are initially measured at their fair value, net of transaction costs. Financial liabilities are subsequently carried at their amortised cost, with commission cost being recognised on an effective yield basis in the interim condensed consolidated statement of profit or loss over the term of the instrument.

Trade payables

Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method.

Islamic variable financial instruments

The Group designates certain hedging instruments, which include Islamic variable financial instruments in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as a cash flow hedges.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016 (CONTINUED)

The Group initially recognises Islamic variable financial instruments as either a financial asset or a financial liability, at fair value, and subsequently re-measured to their fair value at the end of each reporting period. The accounting for changes in the fair value of an Islamic variable financial instrument depends on the intended use and the resulting designation of the Islamic variable financial instrument. The resulting gain or loss is recognised in the interim condensed consolidated statement of profit or loss immediately, unless the Islamic variable financial instrument is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

For an Islamic variable financial instrument designated as a fair value hedge, the gain or loss is recognised in the interim condensed consolidated statement of profit or loss in the period of change together with the offsetting loss or gain on the hedged item attributed to the risk being hedged. Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

2.11 REVENUE RECOGNITION

Revenue represents the sale of development properties and rental activities.

Development properties developed and sold on completion 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, which is assessed to be at the time of legal completion of the sale or unconditional exchange. Revenue is measured at the fair value of consideration received.

Development properties developed and sold under a construction contract or agreement where the objective and the outcome of such contracts can be estimated reliably, the revenue and cost of such developments are recognised in proportion to the performed/measured stages of completion against the total contractual obligations/miles stones including variation, claims and incentives at the end of each reporting period, except where the performed work are not a representative of the stage of completion.

Where the outcome of the contract cannot be estimated reliably, the contract revenue is recognised to the extent of cost incurred and probability recoverable against such contract. All the cost incurred is recognised as expenses in the period in which it is incurred.

When it is probable that the total contract cost will exceed total contract revenue, the estimated loss is recognised as expenses immediately

With respect to lease rental income, the Group recognises revenue on a straight line basis over the lease term.

2.12 ZAKAT

Zakat is calculated pursuant to Zakat Regulation in the Kingdom of Saudi Arabia and recognised in the interim condensed consolidated statement of profit or loss in each period. The provision is based on an estimate of Zakat that is adjusted in the financial period in which the final assessment of Zakat is issued. Any change in the estimate resulting from the final assessment is recognised in that period.

2.13 FOREIGN CURRENCIES

Transactions in currencies other than Saudi Riyals, the presentational and functional currency of each subsidiary within the Group, are recorded at the rates of exchange prevailing on the dates of the transactions. At the reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary assets and liabilities carried at fair value, that are denominated in foreign

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currencies, are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The resulting exchange gains or losses are recognised in the interim condensed consolidated statement of profit or loss and comprehensive income.

2.14 STATUTORY RESERVE

According to the article (129) of the Companies' Regulation (Amendment 2016), the Group is required to retain 10% of net income in the statutory reserve. The Group may stop the transfers when this reserve reaches 30% of the share capital. This reserve is not available for dividend distribution.

2.15 END OF SERVICE INDEMNITIES

The Group provides end of service benefits to its employees in accordance with the labour law provisions 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, based on the estimated ultimate payment.

2.16 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.

2.17 LEASING

Group as a lessor

Rentals receivable under operating leases are recognised to the interim condensed consolidated profit or loss on a straight-line basis over the term of the relevant lease.

Group as a lessee

At the inception of non-cancellable operating leases an asset identified as "right-of-use assets" measured at cost with appropriate discounting applied on relevant components of lease term and payment obligations including initial direct cost, lease escalations and lease incentives mentioned in the underlying lease agreement. Subsequent to the initial measurement and recognition, the "right-of-use assets" are periodically measured by using cost model which comprises initially measured cost and any re-measurement adjustments less accumulated depreciation.

Corresponding to this commencement date a "lease liability" is measured at the net present value of all the unpaid lease payments as on that date discounted at an appropriate rate. Subsequent to the initial measurements "lease liability" are periodically measured by increasing the carrying cost to reflect the interest charge on unpaid future lease liability and any re-measurement adjustment less lease payments made up to that date.

An appropriate rate of depreciation and interest should be applied on "right-of-use assets" and "lease liability" respectively. Such depreciation and interest shall be charged to the interim condensed consolidated profit or loss as depreciation and interest expense.

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In case of existing, short term, small value and cancellable operating leases, the entity continues to charge the periodic lease payments to the interim condensed consolidated profit or loss as an expense on straight-line basis over the term of the relevant lease.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience, internal controls, advice from external experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting judgments will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial periods are discussed below:

Revenue Recognition

The Group recognises revenue on its development properties when significant risks and rewards of ownership transfer to the buyer, which is assessed to be at the time of legal completion of the sale or unconditional exchange.

With respect to land projects, the Group receives an initial non-refundable deposit upon signing the sale contract with the balance being paid on a deferred basis, which typically does not exceed three months. The Group recognises the full amount of the consideration at the time the sale contract is signed.

With respect to residential and commercial projects, The Group typically receives an initial deposit on the signature of the sales contract and a final payment on delivery of the units. Revenue from the sale of these properties is only recognized when the completed property is delivered to the purchaser.

With respect to residential and commercial projects sold under a construction contract or agreement and the objective and the outcome of such contracts can be estimated reliably, the revenue and cost of such developments are recognised in proportion to the performed/measured stages of completion against the total contractual obligations/miles stones including variation, claims and incentives at the end of each reporting period, except where the performed work are not a representative of the stage of completion.

With respect to rental income, the Group recognises revenue on a straight line basis over the lease term.

Recognition of cost of sales

The Group has developments which typically contain a number of individual projects within each development. In order to determine cost of sales related to properties or units sold during the period, management must estimate and to average the costs of the entire development, including infrastructure costs and overall construction costs. These costs must then be allocated to each project within the development and each unit within a project. These estimates are reviewed regularly on a profit per project basis and revised as necessary. Any significant change in these estimates may result in additional costs being recorded in future periods related to revenue recognised in a prior period.

Classification of properties

The Group's properties are classified as either development properties or investment properties. Management has made various judgments to determine whether a property qualifies as an investment property (properties held to earn rentals and/or for capital appreciation) or as a development property that comprises properties held for sale, developed land held for sale, property projects under construction, land projects under development and land awaiting development. In making its judgment, management considers its intended use of property. When management assess that certain investment properties will be disposed off, their carrying cost will be transferred to development properties as long as they are under development and not generating revenues. Further, at each reporting date management categorises individual projects as long term or short term depending

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on its estimated completion date. If a completion date is expected to be within a year of the interim condensed consolidated statement of financial position date, the project is classified as current.

Investment Properties

Investment properties are the interests in land and/or buildings that are held for their investment potential for generating lease revenues and/or capital appreciation or both. These are not used for generating sales revenues through normal business operations. The investment properties are initially recognised at cost and the cost of an acquisition is measured at fair value of the assets acquired / transferred. All developments costs directly attributable to the properties are capitalized to derive the total cost. Current carrying cost represents total cost for under construction properties and for the completed properties it is total cost less accumulated depreciation and impairments, if any. During the construction phase the management does not believe the fair values are reliably determinable, however the group encourages independent valuation for the completed properties, to assess their fair value, wherever appropriate and reliable. Any sustained depletion in the fair value of a property compared to its current cost is recognised as impairment loss in the interim condensed consolidated profit or loss.

Carrying value of development properties

The Group's principal activity is currently the development and sale of land and the development and sale of residential and commercial property. Due to the nature of this activity, much of the development is speculative in nature. Accordingly, the interim condensed consolidated statement of financial position at 30 September 2016 reflects current assets that are not covered by forward sales contracts.

The Group assesses the net realisable value of its investment properties and its development properties at each reporting date. This assessment is based on a profit per project basis and compares the carrying and future costs to the expected selling price per unit based on historical activities. As a result of this process, there have been no instances where the estimated net realisable value of the site was less than its current carrying value within the interim condensed consolidated statement of financial position. A change of these estimates in the future could have an impact on the valuation of the development properties.

4. REPORTING SEGMENTS

Management has organised the Group into three segments for the purpose of reporting to the chief operating decision maker. Management develops its strategic planning and business model around these segments that consist of:

- Projects – the development of basic infrastructure on undeveloped land ("Land Projects") and the development of residential and commercial projects and the sale of units on such projects ("Residential and Commercial Projects").
- Investments – the investment in companies that Management believes are complementary to the Group's real estate development operations.
- Properties – management of properties that the Group has retained as rental properties including commercial and residential units on its Master-Planned Communities.

The Group does not allocate share of profits of associates, general administration, selling and marketing costs including directors' salaries, finance costs, other income and Zakat expense to its segments. Substantially all of segment operating activity (including revenue and costs) for the three-month period ended 31 March 2017 and 2016 was generated from the Projects segment. The Group provided breakout of revenue, profit assets and liabilities by operation segment. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.

The Group operates exclusively in Saudi Arabia and all its revenues are derived from its portfolio of properties which the Group manages.

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The segment wise revenue, gross margin, operating expenses, profit, assets and liabilities from sales of development properties, sales of residential and commercial projects and leasing of properties are presented below:

	Notes	Nine-month period ended 30 September 2016		
		Developed Properties SR 000	Leasing of Properties SR 000	Total (Unaudited) SR 000
SEGMENT WISE PROFIT & LOSS				
Revenue		1,351,602	108,133	1,459,735
Cost of revenue		(783,295)	(54,954)	(838,249)
GROSS PROFIT		568,307	53,179	621,486
Operating expenses:				
General and administrative expenses		(93,550)	(22,340)	(115,890)
Depreciation	7	(2,747)	-	(2,747)
OPERATING PROFIT		472,010	30,839	502,849
Share of income from investment in associates	8 a	9,686	-	9,686
Finance costs	17	(293,421)	-	(293,421)
Other income, net		(68)	-	(68)
SEGMENT PROFIT FOR THE PERIOD		188,207	30,839	219,046
SEGMENT WISE ASSETS & LIABILITIES				
TOTAL ASSETS		21,770,469	3,544,411	25,314,880
TOTAL LIABILITIES		7,131,407	43,254	7,174,661

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	Notes	Nine-month period ended 30 September 2015		
		Developed Properties SR 000	Leasing of Properties SR 000	Total (Unaudited) SR 000
SEGMENT WISE PROFIT & LOSS				
Revenue		1,691,005	100,990	1,791,995
Cost of revenue		(939,900)	(49,650)	(989,550)
GROSS PROFIT		751,105	51,340	802,445
Operating expenses:				
General and administrative expenses		(144,564)	(24,583)	(169,147)
Depreciation	7	(2,694)	-	(2,694)
OPERATING PROFIT		603,847	26,757	630,604
Share of income from investment in associates	8 a	9,600	-	9,600
Finance costs	17	(322,753)	-	(322,753)
Other income, net		1,209	-	1,209
SEGMENT PROFIT FOR THE PERIOD		291,903	26,757	318,660
SEGMENT WISE ASSETS & LIABILITIES				
TOTAL ASSETS		21,815,649	3,575,226	25,390,875
TOTAL LIABILITIES		7,474,239	38,622	7,512,861

5. INVESTMENT PROPERTIES, NET

	Nine-month period ended 30 September 2016 (Unaudited) SR 000	Year ended 31 December 2015 (Audited) SR 000
COST		
At beginning of the period/year	3,717,560	3,714,149
Additions during the period/year	(3,382)	3,411
At end of the period/year	3,714,178	3,717,560
ACCUMULATED DEPRECIATION		
At beginning of the period/year	215,923	146,698
Charge during the period/year	54,955	69,225
At end of the period/year	270,878	215,923
CARRYING AMOUNT AT THE END OF THE PERIOD/YEAR	3,443,300	3,501,637

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Included within investment properties is land with an original cost of SR 578.1 million (31 December 2015: SR 578.1 million).

6. DEVELOPMENT PROPERTIES

	Nine-month period ended 30 September 2016 (Unaudited) SR 000	Year ended 31 December 2015 (Audited) SR 000
Developed land	1,681,453	1,963,764
Projects under development	15,031,392	14,633,477
Non-current assets	16,712,845	16,597,241
Developed land	317,325	437,185
Current assets	317,325	437,185
Total development properties	17,030,170	17,034,426

Included within Land projects under development is land worth SR 5.98 billion (31 December 2015: SR 5.98 billion), which represents the Group's share of co-ownership with third parties according to the contracts of land development. The amount includes SR 364.5 million (2015: SR 364.5 million) as advance paid against new project.

During the period the Group's management and directors conducted an internal review and valuation of the real estate portfolio consisting of investment properties and development properties which resulted in a fair value amounting to SR 31.32 billion (31 December 2015: SR 31.42 billion) for a total cost of SR 20.47 billion (31 December 2015: SR 20.54 billion), indicating an average uplift of 53% across the real estate portfolio. The management believes that the resultant uplift on the book value is a realistic indication of the fair value of the properties of the Group.

The movement in development properties during the nine-month period ended 30 September 2016 and the year ended 31 December 2015 is as follows:

Non-current assets	Property Projects under development SR 000	Developed land SR 000	Projects under development SR 000	Total SR 000
	2016			
Balance at 1 January 2016	-	1,963,764	14,633,477	16,597,241
Additions	-	-	779,039	779,039
Disposals	-	(282,311)	(381,124)	(663,435)
Balance at 30 September 2016	-	1,681,453	15,031,392	16,712,845
2015				
Balance at 1 January 2015	2,168,456	1,949,764	12,193,230	16,311,450
Additions	-	14,000	1,073,723	1,087,723
Transfers	(2,168,456)	-	2,168,456	-
Disposals	-	-	(801,932)	(801,932)
Balance at 31 December 2015	-	1,963,764	14,633,477	16,597,241

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Current assets	<u>Developed land</u> SR 000	<u>Total</u> SR 000
<u>2016</u>		
Balance at 1 January 2016	437,185	437,185
Disposals	(119,860)	(119,860)
Balance at 30 September 2016	<u>317,325</u>	<u>317,325</u>
<u>2015</u>		
Balance at 1 January 2015	794,145	794,145
Disposals	(356,960)	(356,960)
Balance at 31 December 2015	<u>437,185</u>	<u>437,185</u>

During the period ended 30 September 2016 the Group has capitalised Islamic borrowing costs amounting to SR nil (31 December 2015: nil) on qualifying assets. Islamic borrowing costs were capitalised at an annual weighted average capitalisation effective rate of 0% (31 December 2015: 0%).

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7. PROPERTY AND EQUIPMENT, NET									
2016		Land and buildings SR 000	Leasehold improvement SR 000	Vehicles SR 000	Machinery and tools SR 000	Office equipment SR 000	Total SR 000		
COST									
Balance at 1 January 2016		109,145	19,037	8,447	13,509	41,446	191,584		
Additions for the period		-	-	-	-	507	507		
Balance at 30 September 2016		109,145	19,037	8,447	13,509	41,953	192,091		
ACCUMULATED DEPRECIATION									
Balance at 1 January 2016		42,123	19,037	8,445	13,480	40,083	123,168		
Depreciation for the Period		2,262	-	-	21	464	2,747		
Balance at 30 September 2016		44,385	19,037	8,445	13,501	40,547	125,915		
CARRYING AMOUNT AT 30 SEPTEMBER 2016		64,760	-	2	8	1,406	66,176		
2015									
COST									
Balance at 1 January 2015		109,145	19,037	9,136	13,536	40,718	191,572		
Additions for the year		-	-	-	2	728	730		
Disposal for the year		-	-	(689)	(29)	-	(718)		
Balance at 31 December 2015		109,145	19,037	8,447	13,509	41,446	191,584		
ACCUMULATED DEPRECIATION									
Balance at 1 January 2015		39,107	19,033	9,134	13,479	39,540	120,293		
Depreciation for the year		3016	4	-	30	543	3,593		
Disposal for the year		-	-	(689)	(29)	-	(718)		
Balance at 31 December 2015		42,123	19,037	8,445	13,480	40,083	123,168		
CARRYING AMOUNT AT 31 DECEMBER 2015		67,022	-	2	29	1,363	68,416		

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8. INVESTMENTS IN ASSOCIATES

Investments in associates represent investments in share of companies, where the Group exercises significant influence. The shares of these companies are not publicly traded. The Group's ownership in these Saudi Arabia based privately owned companies ranges from 15% to 51%. For entities where the investment is less than 20%, management believes that it is able to exert significant influence due to its involvement at board level. Movement in investments in associates is as follows:

a. Investments in associates:

	Nine-month period ended 30 September 2016 (Unaudited) SR 000	Year ended 31 December 2015 (Audited) SR 000
Investments, beginning of period/year	776,207	763,407
Additions	1,500	-
Share of profit during the period/year	9,686	12,800
Investments, end of period/year	<u>787,393</u>	<u>776,207</u>

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

Name of the entity	Amount invested SR 000	% of Holding
Saudi Home Loans (SHL)	120,000	15%
Alkhair Capital Saudi Arabia (ACS)	102,000	34%
Khozam Real Estate Development Company (I) (KDC)	525,547	51%
Juman company	1,500	18%
Accumulated share of profits	<u>38,346</u>	
Balance, end of the period	<u>787,393</u>	

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c. Summarised financial information in respect of the Group's associates is set out below:

30 SEPTEMBER 2016	Juman	KDC	ACS	SHL	TOTAL
	SR 000	SR 000	SR 000	SR 000	SR 000
Total assets	-	542,952	253,960	4,098,853	4,895,765
Total liabilities	-	(33,666)	(24,328)	(2,778,249)	(2,836,243)
Net assets	-	509,286	229,632	1,320,604	2,059,522
Group's share of net assets of associates	1,500	509,735	78,075	198,083	787,393
Total revenue for the period	-	-	16,221	116,040	132,261
Total profit for the period	-	(3,663)	(2,402)	71,648	65,583
Total cumulative earning at end of the period	-	(31,001)	(71,059)	520,605	418,545
Total cumulative earning at end of last year	-	(27,794)	(70,857)	444,620	345,969
Change for the period	-	(3,207)	(202)	75,985	72,576
Group's share of cumulative profit for the period	-	(1,636)	(68)	11,390	9,686
31 DECEMBER 2015		KDC	ACS	SHL	TOTAL
		SR 000	SR 000	SR 000	SR 000
Total assets		543,534	252,259	3,816,211	4,612,004
Total liabilities		(30,585)	(23,115)	(2,571,591)	(2,625,291)
Net assets		512,949	229,144	1,244,620	1,986,713
Group's share of net assets of associates		511,605	77,909	186,693	776,207
Total revenue for the year		-	11,415	170,061	181,476
Total profit for the year		(4,438)	(1,509)	109,012	103,065
Total cumulative earning at end of the year		(27,794)	(70,857)	444,620	345,969
Total cumulative earning at end of last year		(23,536)	(64,597)	330,618	242,485
Change for the year		(4,258)	(6,260)	114,002	103,484
Group's share of cumulative profit/(loss) for the year		(2,172)	(2,128)	17,100	12,800

Details of transactions with associates are disclosed under note 20 "Related Party Transactions" of these interim condensed consolidated financial statements.

- (i) The Group had invested 51% in Khozam Real Estate Development Company (KDC), with Jeddah Development and Urban Regeneration Company (JDURC). As per the arrangements the power to govern the financial and operating activities which affect the returns of KDC is jointly bestowed with the shareholders, accordingly the Group does not have any right to variable returns or absolute power to control with the ability to affect the returns of the investee company, consequently the Group's investment in KDC is accounted for as investment in associates under equity method of accounting.

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- (i) The KDC investment include SR 250 million as an exclusive right to participate in the Khozam project development and SR 276 million as capital contribution fully paid in cash. The other shareholder (JDURC) contributed SR 265 million worth of land as capital contribution. The management believe that there is no diminishing in the value of the total investment.
- (ii) During the period the group had invested 18% in Juman Company a limited liability company under incorporation for the real estate development and paid towards its initial capital requirement for the formation of the company. This entity has not started any operation.

9. OTHER ASSETS (DEFERRED CHARGES), NET

The movement during the period is as below:

	Nine-month period ended	Year ended
	30 September 2016 (Unaudited)	31 December 2015 (Audited)
	SR 000	SR 000
Balance, beginning of the period	-	-
Additions during the period	828	
Amortisation charge for the period	-	-
Balance, end of the period	<u>828</u>	<u>-</u>

10. TRADE RECEIVABLES AND OTHERS

	Nine-month period ended	Year ended
	30 September 2016 (Unaudited)	31 December 2015 (Audited)
	SR 000	SR 000
Trade receivables – net of allowances for doubtful debts of SR 19.02 million (31 December 2015: SR 18.02 million)	1,717,592	1,948,687
Advance payments to purchase land	662,190	944,627
Prepayments and others	28,911	29,378
Short term investment- trading (note 10a)	863	804
	<u>2,409,556</u>	<u>2,923,496</u>

The fair value of financial assets included above approximates the carrying amount. The maximum credit taken for sales is less than 90 days. No penalties are charged for delayed payments.

Trade receivable disclosed above include amounts (see below for ageing analysis) that are past due from the date of invoice, at the end of the reporting period for which the Group has not recognized an allowance for doubtful debts because there has not been a significant change in credit quality.

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Ageing of trade receivables that are due but not impaired

	Nine-month period ended 30 September 2016 (Unaudited) SR 000	Year ended 31 December 2015 (Audited) SR 000
0-60 days	693,919	578,761
61-120 days	540,045	283,830
120-180 days	211,279	256,197
Above 180 days	272,349	829,899
Total	1,717,592	1,948,687

Trade receivables include about 94% (31 December 2015: 97%) receivables against land sales which are fully secured against such land parcels.

Movement in the allowance for doubtful debts

	Nine-month period ended 30 September 2016 (Unaudited) SR 000	Year ended 31 December 2015 (Audited) SR 000
Balance, beginning of the period/year	18,019	14,215
Allowance for the period/year	1,000	3,804
Balance, end of the period/year	19,019	18,019

a) Short term investment – Fair value through profit or loss (FVTPL)

The group has an investment, classified as held for trading, through portfolio management account with a leading Saudi Asset Management broking institution (“fund manager”) and as per the portfolio management agreement the fund manager is allowed to trade in debt and equity securities on behalf of the Group. The transaction during the period is detailed below:

	Nine-month period ended 30 September 2016 (Unaudited) SR 000	Year ended 31 December 2015 (Audited) SR 000
Balance, beginning of the period/year	804	3,181
Purchased / sold during the period/year	-	3,556
	804	6,737
Realised gains	59	330
Total	863	7,067
Transfers/withdrawals	-	(6,263)
Balance, end of the period/year	863	804

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Investment includes SR 863 thousand as at 30 September 2016 (31 December 2015 SR nil) representing cash deposit held with the fund manager. The funds are expected to be invested in the subsequent periods.

11. CASH AND CASH EQUIVALENTS

	Nine-month period ended 30 September 2016 (Unaudited) SR 000	Year ended 31 December 2015 (Audited) SR 000
Cash in hand	841	963
Cash with bank	1,576,616	1,000,098
Total	1,577,457	1,001,061

12. LONG-TERM BORROWINGS

	Nine-month period ended 30 September 2016 (Unaudited) SR 000	Year ended 31 December 2015 (Audited) SR 000
Islamic Sukuk	4,312,500	4,312,500
Islamic Murabaha	1,820,411	2,077,435
	6,132,911	6,389,935
Less: Un-amortised transaction costs (note 12 b)	(72,637)	(97,373)
Borrowings end of the period/year	6,060,274	6,292,562
Less: Borrowing -short-term maturity portion	(1,462,360)	(1,531,945)
Borrowing -long-term maturity portion	4,597,914	4,760,617

a. Repayable as follows:

	Nine-month period ended 30 September 2016 (Unaudited) SR 000	Year ended 31 December 2015 (Audited) SR 000
Within one year	1,469,536	1,542,910
In the second year	2,066,200	299,450
In the third to fifth years inclusive	2,597,175	4,547,575
	6,132,911	6,389,935

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b. Islamic borrowings transaction costs:

	Nine-month period ended 30 September 2016 (Unaudited)	Year ended 31 December 2015 (Audited)
	SR 000	SR 000
Balance, beginning of the period/year	97,373	107,790
Additions during the period/year	230	25,576
Amortisation charge for the period/year	(24,966)	(35,993)
Balance, end of the period/year	<u>72,637</u>	<u>97,373</u>

c. Analysis of borrowings:

This represents SR 4.3 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 Al-Arkan Sukuk Company Ltd. at 5.75% and maturing in 2018.
- 2) 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.
- 3) SR 1.50 billion (USD 400 million) of Islamic Sukuk carried in the books of the Group, issued by Dar Al-Arkan Sukuk Company Ltd. at 6.5% and maturing in 2019.

Islamic Sukuks listed above 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 Sukuk agreements include financial covenants, which the Group was in compliance with as at 30 September 2016.

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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 11 years with various repayment schedules like annual roll revolvers, bullet payments and instalment repayments ranging from quarterly and half yearly as detailed below.

Summary of the Murabahas:

Maturity date	Outstanding	Short-term	Long-term
	Balance		
	SR 000	SR 000	SR 000
2016	38,336	38,336	-
2017	97,500	65,000	32,500
2020	1,246,875	210,000	1,036,875
2023	150,700	16,200	134,500
2027	287,000	15,000	272,000
TOTAL	1,820,411	344,536	1,475,875

The total weighted average effective annual commission rate for the nine-month period ended 30 September 2016 is 5.70% (31 December 2015: 5.5%)

The facility agreements include certain financial covenants, which the Group was in compliance with as at 30 September 2016.

13. END OF SERVICE INDEMNITIES

The Group provides end of service benefits to its employees in accordance with the labour law provision in Saudi Arabia. The total cost charged to the interim condensed consolidated statement of profit or loss for the nine-month period ended 30 September 2016 was SR 2.67 million (30 September 2015: SR 6.20 million).

14. TRADE PAYABLES AND OTHERS

	Nine-month period	Year ended
	ended	31 December 2015
	30 September 2016	(Audited)
	(Unaudited)	(Audited)
	SR 000	SR 000
Trade payables	173,055	173,433
Due to related parties (note 20b)	193,680	194,253
Accruals	129,581	67,401
Unpaid dividend	35,358	35,358
Unearned revenue	25,277	38,833
	556,951	509,278

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Trade payables and others principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days (31 December 2015: 30 days).

The fair value of financial liabilities included above approximates the carrying amount.

15. ZAKAT PAYABLE

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

	Nine-month period ended 30 September 2016 (Unaudited) SR 000	Year ended 31 December 2015 (Audited) SR 000
Balance beginning of the period/year	555,757	604,335
Estimated Zakat for the period/year	5,500	9,325
Payment made during the period/year	<u>(26,206)</u>	<u>(57,903)</u>
Zakat provision, end of the period/year	<u>535,051</u>	<u>555,757</u>

b) The Company has received the assessments from DZIT for the years 2003 to 2009. The Company has not received DZIT assessment for year 2010 and 2011. The company had filed the consolidated zakat return for years 2012, 2013, 2014 and 2015.

16. SHARE CAPITAL

	Nine-month period ended 30 September 2016 (Unaudited) SR 000	Year ended 31 December 2015 (Audited) SR 000
Authorised:		
1,080,000,000 ordinary shares of SR 10 each (31 December 2015: 1,080,000,000)	10,800,000	10,800,000
Issued and fully paid shares of SR 10 each		
At the start of the period/year	10,800,000	10,800,000
At the end of the period/year	<u>10,800,000</u>	<u>10,800,000</u>

The Group has one class of ordinary shares which carry no right to fixed income.

17. FINANCE COSTS

	Nine-month period ended	
	30 September 2016 (Unaudited) SR 000	30 September 2015 (Unaudited) SR 000
Charges on Sukuk	194,088	213,961
Charges on Islamic Murabaha	74,367	81,145
Amortisation of transaction costs (note 12b)	24,966	27,647
	<u>293,421</u>	<u>322,753</u>

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18. EARNINGS PER SHARE

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

	Nine-month period ended	
	30 September 2016 (Unaudited)	30 September 2015 (Unaudited)
	SR 000	SR 000
<i>Earnings</i>		
For the purpose of basic earnings per share (Net profit for the period)	213,546	310,498
<i>Number of shares</i>	<u>Number</u>	<u>Number</u>
Weighted average number of ordinary shares For the purposes 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.

19. OPERATING LEASE ARRANGEMENTS

A: GROUP AS LESSEE

The minimum lease payments under non-cancellable operating lease rentals are as follows:

	Nine-month period ended	Year ended
	30 September 2016 (Unaudited)	31 December 2015 (Audited)
	SR 000	SR 000
Amounts due:		
Within one year	265	517
Between one and five years	1,148	1,048
After five years	-	-
	<u>1,413</u>	<u>1,565</u>

B: GROUP AS LESSOR

The minimum lease receivables under non-cancellable operating lease rentals are as follows:

	Nine-month period ended	Year ended
	30 September 2016 (Unaudited)	31 December 2015 (Audited)
	SR 000	SR 000
Amounts Receivable:		
Within one year	49,878	68,723
Between one and five years	64,242	100,681
After five years	57,376	51,313
	<u>171,496</u>	<u>220,717</u>

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20. RELATED PARTY TRANSACTIONS

The significant transactions and balances with related parties carried out at arm's length basis are as follows:

a) Due from related parties

During the period, 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 sale to the Group on behalf of the individual. There is no recourse to the Group if such lending by Saudi Home Loans results in non performing receivables. The details of the transactions, included in trade receivable (refer note # 10), are as follows:

	Nine-month period ended 30 September 2016 (Unaudited) SR 000	Year ended 31 December 2015 (Audited) SR 000
Balance, beginning of the period/year	-	143
Sales/ debits during the period/year	-	-
Collections /adjustments	-	(143)
Balance, end of the period/year	-	-

b) Due to related parties

The Khozam Real Estate Development Company (KDC) management requested to invest excess cash balance of KDC with the group at a nominal profit. The details of the transactions, included in trade payable and other (refer note # 14), are as follows:

	Nine-month period ended 30 September 2016 (Unaudited) SR 000	Year ended 31 December 2015 (Audited) SR 000
Balance, beginning of the period/year	194,253	195,612
Repayment of advances	(813)	(2,319)
Profit charged	240	960
Balance, end of the year	193,680	194,253

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c) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the period are as follows:

	Nine-month period ended	
	30 September 2016 (Unaudited)	30 September 2015 (Unaudited)
	SR 000	SR 000
Short-term benefits	7,500	5,527
End-of-service benefits	780	402
Remunerations and attendance fees to Board of Directors and Executive Committee	-	-
	<u>12,030</u>	<u>5,929</u>

d) 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 trade payable under trade payable and others (refer note # 14), are as follows:

	Nine-month period ended	Year ended
	30 September 2016 (Unaudited)	31 December 2015 (Audited)
	SR 000	SR 000
Balance, beginning of the period/year	115	115
Fees & expenses charged for the period/year	-	-
Amounts paid during the period/year	-	-
Balance, end of the period/year	<u>115</u>	<u>115</u>

For the nine-month period ended 30 September 2016 and the year ended 31 December 2015, no other transactions are entered into with entities that have common Board Members or Shareholders to the Group.

In addition, the Group entered into certain other transactions with related parties that did not have a significant impact on the financial position or comprehensive income of the Group.

See also note 8.

21. RETIREMENT BENEFIT PLANS

The Group makes payments to defined contribution retirement benefit plans in the form of the General Organisation of Social Insurance that are charged as an expense as they fall due. Payments are made on the basis of a percentage of qualifying salary for certain employees to this state-managed scheme.

The total cost charged to the interim condensed consolidated statement of profit or loss and comprehensive income for the nine-month period ended 30 September 2016 was SR 2.67 million (30 September 2015: SR 6.20 million), and the outstanding contribution as at 30 September 2016 is SR 217 thousand (31 December 2015: SR 265 thousand).

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22. CAPITAL MANAGEMENT

The executive committee reviews the capital structure of the Group on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to its parent company through optimisation of debt and equity balances. The Group's overall strategy remains unchanged from 2007, when the Group diversified its sources of funding and issued two medium term Sukuks ranging from 3-5 years. Considering the track record of timely repayment of the first two Sukuk and the group expertise developed over the past five years to access international markets for shariah' compliant funding, the management continue to maintain its relationship with the capital markets and monitor the markets for future issuance. The Group adhere to international best practices in corporate governance and consider the capital market transactions to create additional shareholders value.

The capital structure of the Group consists of net debt (borrowings adjusted with cash and cash equivalents) and equity (comprising share capital, statutory reserve, and retained earnings). The Group is not subject to any externally imposed capital requirements.

Gearing ratio

The Group consistently monitors its gearing ratio, to ensure compliance with external covenant requirements.

The gearing ratio at end of the reporting period was as follows:

	Nine-month period ended 30 September 2016 (Unaudited) SR 000	Year ended 31 December 2015 (Audited) SR 000
Islamic borrowings	6,060,274	6,292,562
Cash and cash equivalents and short term deposits	<u>(1,577,457)</u>	<u>(1,001,061)</u>
Net debt	<u>4,482,817</u>	<u>5,291,501</u>
Shareholders' equity	<u>18,140,219</u>	<u>17,926,673</u>
Net debt to equity ratio	<u>25%</u>	<u>30%</u>

23. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities are mainly comprised of Islamic Murabaha (term and annual revolving) facilities taken from banks, issue of Islamic Sukuk, trade payable and other payables to contractors and suppliers. The paramount objectives of these financial instruments are to raise the funding base for various projects as well as for the working capital requirement of the Group.

The Group also has financial assets in the form of bank deposits, cash in hand, due from related parties and trade and other receivables, which are integral and directly derived out of its regular business. On the reporting date the Group has not entered into any non-Islamic financial variable instrument contracts by way of currency hedging, commission rate swap agreements or similar instruments.

The Group's financial operations are subject to the following risks:

1. Credit Risk
2. Commission Rate Risk
3. Liquidity Risk
4. Foreign Currency Risk
5. Islamic financial variable instrument

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Credit Risk

The Credit Risk can be defined as a loss of value of an asset as a result of a failure by a customer or a counter party to such commercially valid and legally enforceable contract to comply with its obligations.

The general sales policy of the Group is "No Credit" terms, but in some cases there are enhanced payment schedules or staggered payment request by selected customers which have been accommodated. In such cases the Group has an exposure of credit risk with respect to the amount due from those customers. However, in such cases the Group holds back the final delivery or possession of the property to mitigate the risk until the full amount due is paid to the satisfaction of the contract. The monitoring and follow up of balances is completed regularly and as a result the Group's exposure to losses is limited.

With respect to the credit risk exposure of other financial assets, namely, due from related parties, bank deposits and trade and other receivables, the maximum credit risk of the Group is limited to their carrying values, in case there is a failure of the other party to meet its obligation.

As of the reporting date, the Group does not have significant credit risk concentration with any single party or a group.

Commission Rate Risk

Commission Rate Risk is associated with a change in the commission rate available when renegotiating financial instruments that are influenced by the current global financial market conditions. The Group is exposed to commission rate risk with respect to its floating commission covenants agreed for its Islamic Murabaha (revolving credit) facilities obtained from local banks.

The short term revolving borrowings' rates are renegotiated at every renewal proposal to achieve the best possible commission rate to reflect the given financial credentials and related risk perception of the Group.

The Group has a specific shariah' complaint commission rate swap contract to manage its commission rate risk. The Group's international borrowing commission rates are primarily based on LIBOR and its local borrowings are based on SAIBOR. Hence the commission rate exposure of the Group is variable according to the changes in the LIBOR & SAIBOR.

The commission rate sensitivity analysis is performed based on the commission rate exposure of the Group for floating rate liabilities outstanding at the reporting date. The calculations are done on floating commission rates assuming the liabilities outstanding for a whole year as at the reporting date.

During the period under review the average rate of 3 months LIBOR varied between 0.65% and 0.87% (0.29% and 0.35% for 2015) and SAIBOR varied between 2.22% and 2.36% (0.77% and 0.90% for 2015).

The sensitivity of commission rate variance on the Group's external borrowings which affects the interim condensed consolidated financial statements of the Group is shown below:

	Nine-month period ended 30 September 2016 (Unaudited)	Year ended 31 December 2015 (Audited)
	SR 000	SR 000
+ 25 basis points	4,551	5,194
- 25 basis points	(4,551)	(5,194)

The net profit of the Group for the reported period would have been affected by the above amount as a result of such changes in floating commission rates. If there is any capitalisation of borrowing costs directly

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attributed to projects in progress, there would be timing differences on such an impact to the Group's current profit and loss account and the current impact would be nil as there is no capitalisation for the current period and historically, the management capitalises approximately 10% of borrowing costs to projects in progress as explained in note 2.9.

Liquidity Risk

Liquidity Risk can result from a difficulty to meet the financial commitments and obligations of the Group as per the agreed terms and covenants.

To mitigate the liquidity risk and associated losses of business and brand value opportunities; the Group, where possible, keeps sufficient liquid assets in all business conditions. The Group refrains from funding its long term capital requirements through short term borrowings and related party current account transactions. Currently the long term projects are funded from long term or revolving borrowings only. The Group also has a dynamic cash flow assessment policy and system by which it can estimate and plan the maturities as well as required resources to meet such obligations.

The total weighted average effective annual commission rate for the nine-month period ended 30 September 2016 is 5.70% (31 December 2015: 5.5%)

See notes 12 and 14 for further details.

a) The maturity profile of assets, liabilities and equity as at 30 September 2016 and 31 December 2015 are as follows:

<u>30 September 2016</u>	Within 3 Months	3 months to 1 year	One year to 11 years	No fixed maturity	Total
<u>SAR' 000</u>					
<u>Assets</u>					
Investment properties, net	-	-	-	3,443,300	3,443,300
Development properties	-	317,325	-	16,712,845	17,030,170
Property and equipment, net	-	-	-	66,176	66,176
Investments in associates	-	-	-	787,393	787,393
Other assets	-	-	828	-	828
Trade receivables and others	-	2,409,556	-	-	2,409,556
Cash and cash equivalents	1,577,457	-	-	-	1,577,457
Total assets	1,577,457	2,726,881	828	21,009,714	25,314,880
<u>Liabilities and equity</u>					
Islamic borrowings	1,252,386	209,974	4,597,914	-	6,060,274
End of service indemnities	-	-	-	22,385	22,385
Trade payables and others	-	521,593	-	35,358	556,951
Current tax liabilities (Zakat)	-	535,051	-	-	535,051
Shareholders' Equity	-	-	-	18,140,219	18,140,219
Total liabilities and equity	1,252,386	1,266,618	4,597,914	18,197,962	25,314,880

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<u>31 December 2015</u>	Within 3 Months	3 months to 1 year	One year to 12 years	No fixed maturity	Total
<u>SAR' 000</u>					
<u>Assets</u>					
Investment properties, net	-	-	-	3,501,637	3,501,637
Development properties	-	437,185	-	16,597,241	17,034,426
Property and equipment, net	-	-	-	68,416	68,416
Investments in associates	-	-	-	776,207	776,207
Trade receivables and others	-	2,923,496	-	-	2,923,496
Cash and cash equivalents	1,001,061	-	-	-	1,001,061
Total assets	1,001,061	3,360,681	-	20,943,501	25,305,243
<u>Liabilities and equity</u>					
Islamic borrowings	61,135	1,470,810	4,760,617	-	6,292,562
End of service indemnities	-	-	-	20,973	20,973
Trade payables and others	-	473,920	-	35,358	509,278
Current tax liabilities (Zakat)	-	555,757	-	-	555,757
Shareholders' Equity	-	-	-	17,926,673	17,926,673
Total liabilities and equity	61,135	2,500,487	4,760,617	17,983,004	25,305,243

Foreign Currency Risk

Foreign Currency Risk is associated with the change in the value of the carrying value in the functional currency due to the variation of the underlying foreign currency obligation or right by way of transaction or translation reasons. The functional currency of the Group is the Saudi Riyal that is pegged against the US Dollar with a fixed exchange rate of 3.75 Saudi Riyals per US Dollar. Since transactions, other than US Dollars, are negligible; the Group does not assume any significant foreign currency risk.

Islamic financial variable Instruments Risk

As part of its asset and liability management, the Group uses Islamic finance variable instruments for hedging its exposure to commission rate and cash flow risks. This is generally achieved by hedging specific transactions. The Group uses Islamic finance variable instruments primarily to manage exposures to foreign currency and commission rate risks. The Group's principal objective in holding Islamic finance variable instruments is to reduce the cash outflows associated with changes in foreign currency and fixed commission rates. The Group's Islamic finance variable instruments are exposed to credit risk to the extent of that counterparty's inability to meet the contractual obligations. The Group mitigates such risks by dealing with major financial institutions as its counterparties. The group Management does not expect any material losses or risk from the default of counterparties as the potential risk of such defaults is periodically monitored.

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24. COMMITMENTS AND CONTIGENCIES

To complete the long term construction and development of investment and development properties, the Group have committed to a number of contractual arrangements and agreements. Such contracts are cancellable at the Group's discretion with no penalties. The estimated uncompleted contracts outstanding as at 30 September 2016 amounts to SR 49 million (31 December 2015: SR 49 million) and performance commitment through a bank guarantee for SR 74 million against receivable collected (31 December 2015: SR 74 million).

These commitments are expected to be settled within the duration of the projects in progress and shall be funded through prospective property sales and external borrowings, if necessary.

During the normal course of business there are general litigations and legal claims. Management takes legal advice as to the likelihood of success of claims and no provision is made when the action is unlikely to succeed.

At 30 September 2016, there were no significant claims notified (31 December 2015: None).

25. 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

26. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved by the board of directors and authorized for issue on 16 October 2016.