DAR AL ARKAN

REAL ESTATE DEVELOPMENT COMPANY

SAUDI JOINT STOCK COMPANY

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

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Deloitte.

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AUDITORS' REPORT

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

Scope of Audit

We have audited the accompanying consolidated balance sheet of Dar Al Arkan Real Estate Development Company (A Saudi joint stock company) (the "Company") and its subsidiaries (collectively referred to as the "Group") as at December 31, 2014, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and notes 1 to 22 which form an integral part of these consolidated financial statements as prepared by the Group in accordance with Article 123 of the Regulations for Companies and submitted to us with all the necessary information and explanations which we required. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting standards used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the accompanying consolidated financial statements, taken as a whole, present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2014, and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia appropriate to the nature of the Group, and comply with the relevant provisions of the Regulations for Companies and the Company's bylaws as these relate to the preparation and presentation of the consolidated financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.

Ehsan A. Makhdoum
License No. 358

Rabi Al Awwal 29, 1436H
January 20, 2015

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2014

	Notes	2014	2013
ASSETS		**SR 000**	**SR 000**
Current Assets			
Cash and cash equivalents		**1,135,196**	2,279,132
Short term deposit with banks	(5a)	**1,175,000**	-
Accounts receivable, net	(5b)	**1,747,778**	1,364,297
Prepaid expenses and others	(6)	**816,697**	484,201
Due from a related party	(7 a)	**143**	143
Projects in progress – short-term	(8 a)	**-**	44,529
Developed land – short-term		**794,145**	927,110
Total Current Assets		**5,668,959**	5,099,412
Non-Current Assets			
Projects in progress – long-term	(8 b)	**8,916,056**	8,780,457
Investments in land under development	(9)	**5,445,630**	4,864,302
Developed land – long-term		**1,949,764**	1,936,614
Investment properties, net	(10)	**3,567,451**	2,694,638
Investment in associates	(11)	**763,407**	747,407
Property and equipment, net	(12)	**71,279**	74,370
Deferred charges, net	(13)	**-**	132
Total Non-Current Assets		**20,713,587**	19,097,920
TOTAL ASSETS		**26,382,546**	24,197,332
LIABILITIES AND EQUITY			
Current Liabilities			
Islamic borrowings – current portion	(14)	**2,148,064**	744,308
Due to a related party	(7 b)	**195,612**	196,246
Accounts payable	(16)	**167,680**	267,098
Accrued expenses and others	(17)	**826,566**	820,242
Total Current Liabilities		**3,337,922**	2,027,894
Non-Current Liabilities			
Islamic borrowings	(14)	**5,458,564**	5,159,269
Provision for end-of-service indemnities	(18)	**18,544**	17,348
Total Non-Current Liabilities		**5,477,108**	5,176,617
Total liabilities		**8,815,030**	7,204,511
Shareholders' Equity			
Share capital	(19)	**10,800,000**	10,800,000
Statutory reserve		**942,384**	884,914
Retained earnings		**5,825,132**	5,307,907
Total Shareholders' Equity		**17,567,516**	16,992,821
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**26,382,546**	24,197,332

Managing Director

Chief Financial Officer

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 SR 000	2013 SR 000
Revenues from operations		**3,056,060**	2,931,168
Cost of operations		**(1,756,805)**	(1,778,097)
Gross profit	(4)	**1,299,255**	1,153,071
Operating expenses:			
General, administrative, selling and marketing expenses		**(237,453)**	(151,027)
Depreciation	(12)	**(3,691)**	(4,011)
Amortisation of deferred charges	(13, 14 a)	**(38,197)**	(27,654)
Income for the year from operating activities		**1,019,914**	970,379
Other Income / (expenses) :			
Share of income from investment in associates	(11)	**16,000**	3,250
Islamic Murabaha charges		**(111,282)**	(110,341)
Islamic Sukuk charges		**(382,012)**	(203,618)
Other income / (expenses), net		**46,895**	39,320
Income for the year before Zakat		**589,515**	698,990
Zakat provision	(17 a)	**(14,820)**	(17,528)
Net income for the year		**574,695**	681,462
Earnings per share for the year (in Saudi Riyal)	(20)		
From operating activities		**0.94**	0.90
From net income		**0.53**	0.63

Managing Director

Chief Financial Officer

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DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 SR 000	2013 SR 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income for the year before Zakat	**589,515**	698,990
Adjustment for:		
Depreciation	**56,492**	50,499
Amortisation of deferred charges	**38,197**	27,654
Provision for end-of-service indemnities	**2,707**	2,133
Provision for doubtful debts	**9,736**	-
Gain on disposal of property and equipment	**(30)**	-
Share of income from investment in associates	**(16,000)**	(3,250)
Changes in operating assets and liabilities		
Accounts receivable	**(393,217)**	128,452
Prepaid expenses and others	**29,542**	(5,290)
Due from a related party	**-**	-
Projects in progress – short-term	**5,350**	2,173
Developed land	**119,815**	105,049
Accounts payable	**(99,418)**	10,965
Accrued expenses and others	**2,234**	50,424
Cash generated from operations	**344,923**	1,067,799
Zakat paid	**(10,730)**	(61,352)
End-of-service indemnities paid	**(1,511)**	(1,360)
Net cash generated from operating activities	**332,682**	1,005,087
CASH FLOWS FROM INVESTING ACTIVITIES		
Projects in progress – long-term	**(135,599)**	(1,641,872)
Investments in land under development	**(581,328)**	741,328
Advance payments to purchase land	**(362,038)**	153,870
Investment properties	**(886,435)**	(4,066)
Proceeds from disposal of property and equipment	**30**	-
Purchase of property and equipment	**(600)**	(707)
Net cash used in investing activities	**(1,965,970)**	(751,447)
CASH FLOWS FROM FINANCING ACTIVITIES		
Islamic borrowings	**1,664,986**	1,491,576
Short term deposit with banks	**(1,175,000)**	-
Due to a related party	**(634)**	(1,855)
Net cash from financing activities	**489,352**	1,489,721
(Decrease)/increase in cash and cash equivalents	**(1,143,936)**	1,743,361
Cash and cash equivalents, beginning of the year	**2,279,132**	535,771
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**1,135,196**	2,279,132
Non-cash transaction related to transfer of investment property (Note 10)		
Transfer of projects under progress-short-term to investment properties	**39,179**	-

Managing Director

Chief Financial Officer

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Share Capital	Statutory Reserve	Retained Earnings	Total Shareholders' equity
2013	**SR 000**	**SR 000**	**SR 000**	**SR 000**
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
2014				
Balance as at 1 January 2014	**10,800,000**	**884,914**	**5,307,907**	**16,992,821**
Net income for the year	-	-	**574,695**	**574,695**
Transfer to statutory reserve	-	**57,470**	**(57,470)**	-
Balance as at 31 December 2014	**10,800,000**	**942,384**	**5,825,132**	**17,567,516**

Managing Director

Chief Financial Officer

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

2.3 BASIS OF CONSOLIDATION

The 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 2014.

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 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 consolidated financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the 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 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 consolidated statement of income.

At each date of preparation of the 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 REAL ESTATE ASSETS

Real estate assets principally comprise of projects in progress and developed land short term held for sale and long term projects in progress, long term developed land and investment in land under development, including property projects under construction, land projects under development and land waiting for development.

All real estate assets 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 the real estate properties will not be realised within 12 months. These have been split between current and non-current properties.

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%

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 consolidated statement of income for the period of the retirement/disposal except those that relate to sale and leaseback arrangements.

2.7 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 consolidated statement of income in the period in which they are incurred.

2.8 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's 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 consolidated statement of income.

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 maturities of less than three months.

Held for trading investments
Held for trading investments are recognised initially at fair value; transaction costs are taken directly to the 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 consolidated balance sheet date. The unrealized and realized gains and losses from sale of held for trading investments are recorded in the consolidated statement of income.

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 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 consolidated statement of income, and are included in other income.

2.9 IMPAIRMENT OF TANGIBLE ASSETS

At the date of each 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 consolidated statement of income.

2.10 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.

2.11 ZAKAT

Zakat is calculated and recognised in the consolidated statement of income for the year 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 consolidated statement of income as changes in accounting estimates and included in the financial period in which the final assessment of Zakat is issued.

2.12 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 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 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.

2.13 STATUTORY RESERVE

According to the article (125) 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.

2.14 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.

2.15 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.

2.16 LEASING

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

2.17 OPERATING EXPENSES

The Group follows accrual basis of accounting to record the operating expenses and recognised as expenses in the 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 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 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	
	2014	**2013**
	SR 000	**SR 000**
REVENUES FROM OPERATIONS		
Sale of residential properties	**8,000**	459
Sale of land	**2,923,431**	2,822,281
Leasing of properties	**124,629**	108,428
Total	**3,056,060**	2,931,168
COST OF OPERATIONS		
Residential properties	**5,240**	363
Land	**1,694,764**	1,731,246
Leasing of properties	**56,801**	46,488
Total	**1,756,805**	1,778,097
GROSS PROFIT		
Residential properties	**2,760**	96
Land	**1,228,667**	1,091,035
Leasing of properties	**67,828**	61,940
Total	**1,299,255**	1,153,071

5. a) SHORT TERM DEPOSIT WITH BANKS

	2014	**2013**
	SR 000	**SR 000**
Islamic deposits	**1,175,000**	-
Total	**1,175,000**	-

This represents the Islamic deposits with banks that are maturing on 4 February 2015. These deposits are specifically earmarked for the Sukuk IV repayment due in February 2015.

b) ACCOUNTS RECEIVABLE, NET

	2014	2013
	SR 000	**SR 000**
Customers	**1,761,993**	1,368,776
Provision for doubtful debts	**(14,215)**	(4,479)
Total	**1,747,778**	1,364,297

Accounts receivable includes about 94% (31 December 2013: 95%) receivables against land sales which are fully secured against such land parcels. Further, it includes a receivable amounting to SR 365 million that is beyond the terms and conditions associated with the contract and the Company believes that the amount is fully recoverable in the due course.

6. PREPAID EXPENSES AND OTHERS

	2014	2013
	SR 000	**SR 000**
Advance payments to purchase land	**771,438**	409,400
Prepaid expenses and other assets	**21,713**	39,564
Accrued income	**-**	14,624
Advance payments to contractors	**12,003**	12,308
Employees' advances and receivables	**5,865**	5,780
Short term investment- trading (note 6a)	**3,181**	-
Advance payments to suppliers	**2,461**	2,487
Positive value of commission rate SWAP (note 15)	**-**	2
Others	**36**	36
Total	**816,697**	484,201

a) Short term investment – Trading

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 year is detailed below:

	For the year ended 31 December	
	2014	2013
	SR 000	**SR 000**
Purchased / sold during the year	**2,360**	-
	2,360	-
Realised gains	**2,462**	-
Commissions	**(141)**	-
Total	**4,681**	
Transfers/withdrawals	**(1,500)**	-
Balance, end of the year	**3,181**	-

Investment includes SR 3.2 million as at 31 December 2014 (31 December 2013 SR nil) representing cash deposit held with the fund manager. The funds are expected to be invested in the subsequent periods.

7. RELATED PARTY TRANSACTIONS

The significant transactions and balances with related parties are as follows:

a) Due from a related party

The details of the transactions with Saudi Home Loans are as follows:

	For the year ended 31 December	
	2014	2013
	SR 000	SR 000
Balance, beginning of the year	**143**	143
Expenses incurred	**50**	-
Collections	**(50)**	-
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	
	2014	2013
	SR 000	SR 000
Balance, beginning of the year	**196,246**	198,101
Repayment of advances	**(1,854)**	(3,815)
Profit charged	**1,220**	1,960
Balance, end of the year	**195,612**	196,246

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 to note: 16), are as follows:

	For the year ended 31 December	
	2014	2013
	SR 000	SR 000
Balance, beginning of the year	**1,296**	-
Fees and expenses charged during the year	**-**	6,733
Amounts paid during the year	**(1,181)**	(5,437)
Balance, end of the year	**115**	1,296

(ii) Alkhair Capital Saudi Arabia

The Group 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 and leasing/ subleasing of properties. The details of the transactions are as follows:

	For the year ended 31 December	
	2014	**2013**
	SR 000	**SR 000**
Fees, and expenses indirectly transacted during the year	**-**	1,406
Fees, lease rentals charged during the year	**4,000**	-
Amount paid/settled during the year	**(4,000)**	(1,406)
Balance, end of the year	**-**	-

For the year ended 31 December 2014 and 2013, 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:

	2014	**2013**
	SR 000	**SR 000**
Residential and commercial development	**-**	44,529
Total	**-**	44,529

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:

	2014	**2013**
	SR 000	**SR 000**
Residential and commercial development	**2,168,456**	2,718,238
Land development projects	**6,747,600**	6,062,219
Total	**8,916,056**	8,780,457

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 33.32 million (31 December 2013: 88.54 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, required for land development. The amount includes SR 364.5 million (2013: nil) as advance paid against new project.

10. INVESTMENT PROPERTIES, NET

	For the year ended 31 December	
	2014	**2013**
	SR 000	**SR 000**
COST		
At beginning of the year	**2,788,535**	2,784,469
Transfers	**39,179**	-
Additions	**886,435**	4,066
At end of the year	**3,714,149**	2,788,535
ACCUMULATED DEPRECIATION		
At beginning of the year	**93,897**	47,409
Charged during the year	**52,801**	46,488
At end of the year	**146,698**	93,897
CARRYING AMOUNT AT THE END OF THE YEAR	**3,567,451**	2,694,638

Included within investment properties is land with an original cost of SR 578.1 million (31 December 2013: 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	
	2014	**2013**
	SR 000	**SR 000**
Balance, beginning of the year	**747,407**	744,157
Share of income	**16,000**	3,250
Balance, end of the year	**763,407**	747,407

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 (i)	**525,547**	**51%**
Accumulated share of profit, net	**15,860**	
Balance, end of the year	**763,407**	

Details of transactions with associates are disclosed under Note 7 “Related Party Transactions” of these 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.

(ii) 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 the there is no diminishing in the value of the total investment.

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 2014	**109,145**	**19,037**	**9,250**	**13,536**	**40,118**	**191,086**
Additions for the year	**-**	**-**	**-**	**-**	**600**	**600**
Disposal for the year	**-**	**-**	**(114)**	**-**	**-**	**(114)**
Balance at 31 December 2014	**109,145**	**19,037**	**9,136**	**13,536**	**40,718**	**191,572**
Accumulated Depreciation						
Balance at 1 January 2014	**36,091**	**18,970**	**9,248**	**13,442**	**38,965**	**116,716**
Depreciation for the year	**3,016**	**63**	**-**	**37**	**575**	**3,691**
Disposal for the year	**-**	**-**	**(114)**	**-**	**-**	**(114)**
Balance at 31 December 2014	**39,107**	**19,033**	**9,134**	**13,479**	**39,540**	**120,293**
Net book value 31 December 2014	**70,038**	**4**	**2**	**57**	**1,178**	**71,279**
Net book value 31 December 2013	73,054	67	2	94	1,153	74,370

Included within land and buildings are land with an original cost of SR 9.50 million (31 December 2013: SR 9. 50 million).

13. DEFERRED CHARGES, NET

The movement during the year is as below:

	For the year ended 31 December	
	2014	**2013**
	SR 000	**SR 000**
Balance, beginning of the year	**132**	**264**
Amortisation charge for the year	**(132)**	**(132)**
Balance , end of the year	**-**	**132**

14. ISLAMIC BORROWINGS

	2014	**2013**
	SR 000	**SR 000**
Islamic Sukuk	**5,835,638**	4,600,000
Islamic Murabaha	**1,878,780**	1,389,321
	7,714,418	5,989,321
Less: Un-amortised transaction costs	**(107,790)**	(85,744)
Islamic borrowings – end of the year	**7,606,628**	5,903,577
Less: Islamic borrowings – current portion	**(2,148,064)**	(744,308)
Islamic borrowings - long-term	**5,458,564**	5,159,269

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

	For the year ended 31 December	
	2014	**2013**
	SR 000	**SR 000**
Balance, beginning of the year	**85,744**	55,962
Additions during the year	**61,764**	63,068
Capitalisation during the year	**(1,653)**	(5,764)
Amortisation charge for the year	**(38,065)**	(27,522)
Balance, end of the year	**107,790**	85,744

Analysis of borrowings:

Islamic Sukuk

This represents SR 6 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 of which SR 164.4 million (USD 43.83 million) bought back during 2014 resulting an outstanding of SR 1.523 billion (USD 406.17 million) as at 31 December 2014.

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 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 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 2014.

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 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
2015	**88,477**	**88,477**	**-**
2016	**362,917**	**190,834**	**172,083**
2018	**1,427,386**	**356,704**	**1,070,682**
TOTAL	**1,878,780**	**636,015**	**1,242,765**

The facility agreements include certain financial covenants, which the Group was in compliance with as at 31 December 2014.

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 nil (USD nil) (31 December 2013: SR (2.0) thousand (USD (0.5) thousand). The change in the fair value during the year amounting to SR 2.0 thousand (USD 0.5 thousand) has been recognised as other expense in the consolidated statement of income (SR 10.03 million (USD 2.67 million) for the year ended 31 December 2013).

16. ACCOUNTS PAYABLE

	2014	2013
	SR 000	**SR 000**
Contractors	**146,075**	157,435
Suppliers (a)	**14,020**	28,494
Advances from customers	**7,283**	81,169
Others	**302**	-
Total	**167,680**	267,098

(a) Suppliers include SR 115K, balance due to a related party (refer Note 7c (i)).

17. ACCRUED EXPENSES AND OTHERS

	2014	2013
	SR 000	**SR 000**
Zakat provision (c)	**604,335**	600,245
Islamic Sukuk charges	**83,007**	84,579
Unearned revenue	**67,394**	68,399
Dividend payable	**35,397**	35,749
Islamic Murabaha charges	**20,521**	17,437
Accrued expenses	**15,912**	13,833
Total	**826,566**	820,242

Zakat provision

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

	2014	2013
	SR 000	**SR 000**
Zakat base:		
Share capital and statutory reserve – beginning of the year	**11,684,914**	11,616,768
Provisions – beginning of the year after deduction of amounts paid during the year	**589,515**	582,717
Adjusted net income for the year – Note 17/b	**592,222**	701,123
Retained earnings after dividends	**5,307,907**	4,694,591
Islamic Murabaha	**451,394**	734,689
Islamic Sukuk	**2,812,500**	1,687,500
Total Zakat base	**21,438,452**	20,017,388
Deductions:		
Total deduction after adjustment	**(22,279,170)**	(20,434,430)
Zakat base	**(840,718)**	(417,042)
Estimated Zakat provision for the year	**14,820**	17,528

b) Adjusted net income for the year:

	2014	2013
	SR 000	**SR 000**
Adjusted net income:		
Income for the year before Zakat	**589,515**	698,990
Provisions	**2,707**	2,133
Adjusted net income	**592,222**	701,123

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

	For the year ended 31 December	
	2014	**2013**
	SR 000	**SR 000**
Balance beginning of the year	**600,245**	644,069
Estimated Zakat for the year	**14,820**	17,528
Paid during the year	**(10,730)**	(61,352)
Estimated Zakat provision, end of the year	**604,335**	600,245

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 and 2013 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 year is as below:

	For the year ended 31 December	
	2014	**2013**
	SR 000	**SR 000**
Balance, beginning of the year	**17,348**	16,575
Charged to expenses during the year	**2,707**	2,133
Paid during the year	**(1,511)**	(1,360)
Balance, end of the year	**18,544**	17,348

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	
	2014	**2013**
	SR 000	**SR 000**
Earnings		
For the purpose of basic earnings per share:		
Income for the year from operating activities	**1,019,914**	970,379
Net income for the year	**574,695**	681,462
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. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of bank balances and cash, due from related parties and trade and other receivables. Financial liabilities consist of trade accounts payable, accruals, due to a related party and Islamic borrowings.

Credit Risk

Credit risk is the risk of financial loss to the Group if counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's bank balances, due from related parties and trade and other receivables.

Cash balances are deposited with a number of major high credit rated financial institutions and has a policy of limiting its balances deposited with each institution.

Trade and other receivables are subject to "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 appropriate allowances for uncollectible amounts, whenever it’s needed.

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 long term 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 exposure of the Group is variable according to the changes in the LIBOR and SAIBOR.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in realizing assets or otherwise raising funds to meet commitments associated with financial instruments.

The liquidity risk is closely monitored through regular review of available funds and the cash flows from asset realizations against present and future commitments.

Foreign Currency Risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange values.
Management monitors fluctuations in foreign currency exchange rates, and believes that the Group is not exposed to significant currency risk since the Group's functional currency is the Saudi Riyal, in which the Group transacts, which is currently fixed, within a narrow margin, against the U.S. dollar.

Fair value of financial instruments

Fair Value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's-length transaction. As the consolidated financial statements are prepared under the historical-cost convention, differences can arise between the book values and fair-value estimates. Management believes that the fair values of the financial assets and liabilities are not materially different from their carrying values.

22. COMMITMENTS

As at 31 December 2014, the Group has contract commitments which represent the value of the part not yet executed from the projects development contracts amounting to SR 81 million (31 December 2013: SR 85 million), and performance commitment through a bank guarantee for SR 74 million against receivable collected (31 December 2013: SR 74 million).