DAR AL ARKAN
REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S
REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

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AlKharashi & Co.
Certified Accountants And Auditors

January 22, 2015

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of **Dar Al Arkan Real Estate Development Company** (A Saudi joint stock company) and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statement of Profit or Loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Managements responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with international standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

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effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of a matter

This report is issued in conformity with International Financial Reporting Standards for management purposes and should not be considered as replacement to the company's 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)

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DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	2014 SR 000	2013 SR 000
ASSETS			
Non-current assets			
Investment properties, net	5	**3,567,451**	2,694,638
Development properties	6	**16,311,450**	15,581,373
Property and equipment, net	7	**71,279**	74,370
Investments in associates	8	**763,407**	747,407
Other assets		**-**	132
Total non-current assets		**20,713,587**	19,097,920
Current assets			
Development properties	6	**794,145**	971,639
Trade receivables and others	9	**2,564,618**	1,848,641
Short term deposit with banks	10	**1,175,000**	-
Cash and cash equivalents	11	**1,135,196**	2,279,132
Total current assets		**5,668,959**	5,099,412
TOTAL ASSETS		**26,382,546**	24,197,332
LIABILITIES AND SHAREHOLDERS' EQUITY			
Non-current liabilities			
Borrowing -long-term maturity portion	12	**5,458,564**	5,159,269
End of service indemnities	14	**18,544**	17,348
Total non-current liabilities		**5,477,108**	5,176,617
Current liabilities			
Borrowings-short-term maturity portion	12	**2,148,064**	744,308
Trade payables and others	15	**585,523**	683,341
Zakat payable	16	**604,335**	600,245
Total current liabilities		**3,337,922**	2,027,894
Total liabilities		**8,815,030**	7,204,511
Shareholders' Equity			
Share capital	17	**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

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DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 SR 000	2013 SR 000
Revenue		**3,056,060**	2,931,168
Cost of revenue		**(1,756,805)**	(1,778,097)
GROSS PROFIT	4	**1,299,255**	1,153,071
General and administrative expenses		**(237,585)**	(151,159)
Depreciation	(5,7)	**(3,691)**	(4,011)
OPERATING PROFIT		**1,057,979**	997,901
Share of income from investment in associates	8 a	**16,000**	3,250
Finance costs	18	**(531,359)**	(341,481)
Other income, net		**46,895**	39,320
PROFIT BEFORE ZAKAT		**589,515**	698,990
Zakat expense	16 a	**(14,820)**	(17,528)
NET PROFIT FOR THE YEAR		**574,695**	681,462
Other comprehensive income:			
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**574,695**	681,462
Total comprehensive income attributable to:			
Dar Al Arkan shareholders		**574,695**	681,462
Earnings per share (in Saudi Riyals)			
Basic and diluted	19	**0.53**	0.63

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

	Share capital SR 000	Statutory reserve SR 000	Retained earnings SR 000	Total equity SR 000
2013				
Balance as at 1 January 2013	10,800,000	816,768	4,694,591	16,311,359
Transfer to statutory reserve	-	68,146	(68,146)	-
Net profit for the year	-	-	681,462	681,462
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	681,462	681,462
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**
Transfer to statutory reserve	**-**	**57,470**	**(57,470)**	**-**
Net profit for the year	**-**	-	**574,695**	**574,695**
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**517,225**	**574,695**
Balance as at 31 December 2014	**10,800,000**	**942,384**	**5,825,132**	**17,567,516**

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

	2014 SR 000	2013 SR 000
OPERATING ACTIVITIES		
Profit before Zakat	**589,515**	698,990
Adjustment for:		
Depreciation	**56,492**	50,499
End of service indemnities	**2,707**	2,133
Provision for doubtful debts	**9,736**	-
Finance costs	**531,359**	341,481
Gain on disposal of property and equipment	**(30)**	-
Share of income from investment in associates	**(16,000)**	(3,250)
Operating cash flows before movements in working capital	**1,173,779**	1,089,853
Development properties	**(591,762)**	(793,322)
Trade receivables and others	**(725,713)**	277,032
Other assets	**132**	132
Trade payables and others	**(97,818)**	59,534
Cash (used in)/from operations	**(241,382)**	633,229
Finance costs	**(493,294)**	(313,959)
Zakat paid	**(10,730)**	(61,352)
End-of-service indemnities paid	**(1,511)**	(1,360)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	**(746,917)**	256,558
INVESTING ACTIVITIES		
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	**(887,005)**	(4,773)
FINANCING ACTIVITIES		
Long term borrowings	**1,664,986**	1,491,576
Short term deposits with banks	**(1,175,000)**	-
NET CASH FROM FINANCING ACTIVITIES	**489,986**	1,491,576
(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 5)		
Transfer of development properties-short-term to investment properties	**39,179**	-

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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 1010160195 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 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 International Financial Reporting Standards ("IFRS"), consistent with the Group's accounting policies.

These 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 year

In the current year, the Group has adopted all the following 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 2014.

IFRS 10	Amendments	Consolidated financial statements
IFRS 12	Amendments	Disclosure of interests in other entities
IAS 27	Amendments	Separate financial statements
IAS 32	Amendments	Financial Instruments: Presentation
IAS 36	Amendments	Impairment of Assets
IAS 39	Amendments	Financial Instruments: Recognition and Measurement

The adoption of these amendments has not led to any changes in the Group's accounting policies or disclosures provided in the 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 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 consolidated financial statements of the Group.

IFRS 9		Financial Instruments
IFRS 15		Revenue from contracts with customers
IFRS 11	Amendments	Accounting for acquisitions of interests in joint operations
IAS 16 and 38	Amendments	Clarification of acceptable methods of depreciation and amortization
IAS 19	Amendments	Defined benefit plans employee contributions

2.3 ACCOUNTING CONVENTION

The 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 consolidated financial statements of the Group incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 December 2014.

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 acquired (i.e. discount on acquisition) is recognised directly in the 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 consolidated financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the 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 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%

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 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 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%

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 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 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 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 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 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 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 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 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 consolidated 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.

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 consolidated 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 consolidated 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. Revenue for sale of development properties 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. With respect to 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 consolidated profit or loss in each year. 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 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 consolidated statement of profit or loss and comprehensive income.

2.14 STATUTORY RESERVE

According to the article (125) of the Companies' Regulation, the Group is required to retain 10% of net income in the statutory reserve. The Group may stop the transfers when this reserve reaches 50% 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

Rentals payable under operating leases are charged to consolidated profit or loss on a 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 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 year, 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 on its estimated completion date. If a completion date is expected to be within a year of the 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 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 consolidated statement of financial position at 31 December 2014 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 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 year ended 31 December 2014 and 2013 was generated from the Projects segment and as a result there is no breakout provided of revenue and segment profit by 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.

Major products
The revenue and gross margin from sales of land, sales of residential and commercial projects and leasing of properties are presented below:

	2014	2013
	SR 000	SR 000
REVENUES		
Sales of residential properties	8,000	459
Sales of land	2,923,431	2,822,281
Leasing of properties	124,629	108,428
Total	3,056,060	2,931,168
COST OF REVENUES		
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. INVESTMENT PROPERTIES, NET

	2014	2013
	SR 000	SR 000
COST		
At beginning of the year	**2,788,535**	2,784,469
Transfers during the year	**39,179**	-
Additions during the year	**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
Charge 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).

6. DEVELOPMENT PROPERTIES

	2014	2013
	SR 000	SR 000
Property projects under development	**2,168,456**	2,718,238
Developed land	**1,949,764**	1,936,614
Land projects under development	**12,193,230**	10,926,521
Non-current assets	**16,311,450**	15,581,373
Property projects under development	**-**	44,529
Developed land	**794,145**	927,110
Current assets	**794,145**	971,639
Total development properties	**17,105,595**	16,553,012

Included within Land projects under development is land worth SR 5.45 billion (31 December 2013: SR 4.86 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 (2013: nil) as advance paid against new project.

During the year 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 31.62 billion (31 December 2013: SR 29.45 billion) for a total cost of SR 20.67 billion (31 December 2013: SR 19.25 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 year ended 31 December 2014 and year ended 31 December 2013 is as follows:

Non-current assets	Property projects under development	Developed land	Land projects under development	Total
	SR 000	SR 000	SR 000	SR 000
2014				
Balance at 1 January 2014	**2,718,238**	**1,936,614**	**10,926,521**	**15,581,373**
Additions	**2,754**	**229,738**	**2,511,122**	**2,743,614**
Capitalisation of borrowing costs	**33,321**	**-**	**-**	**33,321**
Disposals / adjustments	**(585,857)**	**(216,588)**	**(1,244,413)**	**(2,046,858)**
Balance at 31 December 2014	**2,168,456**	**1,949,764**	**12,193,230**	**16,311,450**
2013				
Balance at 1 January 2013	3,214,085	2,124,441	9,530,130	14,868,656
Additions	25,636	43,187	2,285,804	2,354,627
Capitalisation of borrowing costs	88,539	-	-	88,539
Disposals	(610,022)	(231,014)	(889,413)	(1,730,449)
Balance at 31 December 2013	2,718,238	1,936,614	10,926,521	15,581,373

Current assets	Property projects under development	Developed land	Total
	SR 000	SR 000	SR 000
2014			
Balance at 1 January 2014	**44,529**	**927,110**	**971,639**
Additions / adjustments	**(110)**	**7,614**	**7,504**
Transfers	**(39,179)**	**-**	**(39,179)**
Disposals	**(5,240)**	**(140,579)**	**(145,819)**
Balance at 31 December 2014	**-**	**794,145**	**794,145**
2013			
Balance at 1 January 2013	46,702	844,332	891,034
Additions	(1,810)	83,575	81,765
Disposals	(363)	(797)	(1,160)
Balance at 31 December 2013	44,529	927,110	971,639

During the year ended 31 December 2014 the Group has capitalised Islamic borrowing costs amounting to SR 33.32 million (2013: 88.54 million) on qualifying assets. Islamic borrowing costs were capitalized at an annual weighted average capitalisation effective rate of 0.64% (31 December 2013: 2.52%).

7. PROPERTY AND EQUIPMENT, NET

2014	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 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
CARRYING AMOUNT AT 31 DECEMBER 2014	70,038	4	2	57	1,178	71,279

2013	Land and buildings SR 000	Leasehold improvements SR 000	Vehicles SR 000	Machinery and tools SR 000	Office equipment SR 000	Total SR 000
COST						
Balance at 1 January 2013	109,145	19,037	9,250	13,536	39,411	190,379
Additions for the year	-	-	-	-	707	707
Balance at 31 December 2013	109,145	19,037	9,250	13,536	40,118	191,086
ACCUMULATED DEPRECIATION						
Balance at 1 January 2013	33,075	18,866	9,184	13,404	38,176	112,705
Depreciation for the year	3,016	104	64	38	789	4,011
Balance at 31 December 2013	36,091	18,970	9,248	13,442	38,965	116,716
CARRYING AMOUNT AT 31 DECEMBER 2013	73,054	67	2	94	1,153	74,370

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:***

	2014	2013
	SR 000	SR 000
Investments, beginning of year	747,407	744,157
Share of profit during the year	16,000	3,250
Investments, end of year	763,407	747,407

b. ***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 (SHL)	120,000	15%
Alkhair Capital Saudi Arabia (ACS)	102,000	34%
Khozam Real Estate Development Company (i) (KDC)	525,547	51%
Accumulated share of profits	15,860	
Balance, end of the period	763,407	

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

31 December 2014	KDC	ACS	SHL	TOTAL
	SR 000	SR 000	SR 000	SR 000
Total assets	544,793	257,307	3,710,563	4,512,663
Total liabilities	(27,504)	(21,905)	(2,579,945)	(2,629,354)
Net assets	517,289	235,402	1,130,618	1,883,309
Group's share of net assets of associates	513,817	80,036	169,554	763,407
Total revenue for the year	-	20,273	156,334	176,607
Total profit for the year	(4,505)	(103)	99,577	94,969
Total cumulative earning at the end of the year	(23,536)	(64,597)	330,618	242,485
Total cumulative earning at the end of last year	(18,347)	(73,422)	226,312	134,543
Change for the year	(5,189)	8,825	104,306	107,942
Group's share of cumulative profit for the year	(2,646)	3,000	15,646	16,000

31 December 2013	KDC	ACS	SHL	TOTAL
	SR 000	SR 000	SR 000	SR 000
Total assets	545,597	253,321	3,495,730	4,294,648
Total liabilities	(23,657)	(26,742)	(2,469,418)	(2,519,817)
Net assets	521,940	226,579	1,026,312	1,774,831
Group's share of net assets of associates	516,190	77,037	154,180	747,407
Total revenue for the year	-	13,005	133,194	146,199
Total profit for the year	(6,370)	(8,483)	84,467	69,614
Total cumulative earning for the year	(18,347)	(73,422)	226,312	134,543
Total cumulative earning at the end of last year	(4,085)	(63,495)	133,652	58,181
Change for the year	(14,262)	(9,927)	92,660	68,471
Group's share of cumulative profit for the year	(7,274)	(3,375)	13,899	3,250

Details of transactions with associates are disclosed under note 21 "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 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 believes that there is no diminishing in the value of the total investment.

9. TRADE RECEIVABLES AND OTHERS

	2014	2013
	SR 000	SR 000
Trade receivables – net of allowance for doubtful debts of SR 14.22 million (31 December 2013: SR 4.48 million)	**1,747,778**	1,364,297
Advance payments to purchase land	**771,438**	409,400
Prepayments and others	**42,078**	74,801
Short term investment- trading (note 9a)	**3,181**	-
Trade receivables – related party (note 20a)	**143**	143
	2,564,618	1,848,641

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 aging 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.

Ageing of trade receivables that are due but not impaired

	2014	2013
	SR 000	SR 000
0-60 days	535,055	151,520
61-120 days	407,073	143,826
120-180 days	57,620	470,337
Above 180 days	748,030	598,614
Total	1,747,778	1,364,297

Trade receivables include 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 Group believes that the amount is fully recoverable in due course.

Movement in the allowance for doubtful debts

	2014	2013
	SR 000	SR 000
Balance, beginning of the year	4,479	4,479
Allowance for the year	9,736	-
Balance, end of the year	14,215	4,479

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:

	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 3.18 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.

10. 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.

11. CASH AND CASH EQUIVALENTS

	2014	2013
	SR 000	SR 000
Cash in hand	**425**	371
Cash with bank	**1,134,771**	1,681,126
Islamic deposits	-	597,635
Total	**1,135,196**	2,279,132

12. LONG-TERM 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 (note 11 b)	**(107,790)**	(85,744)
Borrowings end of the year	**7,606,628**	5,903,577
Less: Borrowing -Short-term maturity portion	**(2,148,064)**	(744,308)
Borrowing -long-term maturity portion	**5,458,564**	5,159,269

a. Repayable as follows:

	2014	2013
	SR 000	SR 000
Within one year	2,159,148	754,632
In the second year	1,772,683	2,250,105
In the third to fifth years inclusive	3,782,587	2,984,584
	7,714,418	5,989,321

b. Islamic borrowings transaction costs:

	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

c. Analysis of borrowings:

Islamic Sukuk

This represents SR 6.0 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 12).

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 instalment 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 total weighted average effective annual commission rate for the year ended 31 December 2014 is 7.66% (31 December 2013: 7.6%).

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

13. 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 has 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. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments;

- Level 1: Quoted prices in active markets for the same instrument (i.e., without modification or additions);
- Level 2: Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data and
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

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 International Financial Reporting Standards amounted to SR nil (USD nil) (31 December 2013: SR (2) thousand (USD (0.50) 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 consolidated statement of profit or loss (SR 10.03 million (USD 2.67 million) for the year ended 31 December 2013).

14. 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 consolidated statement of profit or loss for the year ended 31 December 2014 was SR 2.71 million (31 December 2013: SR 2.13 million).

15. TRADE PAYABLES AND OTHERS

	2014	2013
	SR 000	SR 000
Trade payables	167,680	267,098
Due to related parties (note 20b)	195,612	196,246
Accruals	119,440	115,849
Unearned revenue	67,394	68,399
Unpaid dividend	35,397	35,749
	585,523	683,341

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 2013: 30 days).

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

16. ZAKAT PAYABLE

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

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

b) 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 years 2012 and 2013 are currently under process.

17. SHARE CAPITAL

	2014	2013
	SR 000	SR 000
Authorised:		
1,080,000,000 ordinary shares of SR 10 each (31 December 2013: 1,080,000,000)	**10,800,000**	10,800,000
Issued and fully paid shares of SR 10 each		
At the start of the year	**10,800,000**	10,800,000
At the end of the year	**10,800,000**	10,800,000

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

18. FINANCE COSTS

	2014	2013
	SR 000	SR 000
Charges on Sukuk	**382,012**	203,618
Charges on Islamic Murabaha	**111,282**	110,341
Amortisation of transaction costs (note 11b)	**38,065**	27,522
	531,359	341,481

19. EARNINGS PER SHARE

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

	2014	2013
	SR 000	SR 000
Earnings		
For the purpose of basic earnings per share (Net profit for the year)	**574,695**	681,462
Number of shares	Number	Number
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.

20. OPERATING LEASE ARRANGEMENTS

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

	2014	2013
	SR 000	SR 000
Amounts due:		
Within one year	517	272
Between one and five years	1,485	647
After five years	80	217
	2,082	1,136

21. 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

The details of the transactions with Saudi Home Loans included in trade receivable (refer note # 9), are as follows:

	2014	2013
	SR 000	SR 000
Balance, beginning of the year	143	143
Sales/ debits during the year	50	
Collections during the year	(50)	-
Balance, end of the year	143	143

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 # 13), are as follows:

	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) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	2014	2013
	SR 000	SR 000
Short-term benefits	6,300	6,300
End-of-service benefits	225	225
Remunerations and attendance fees to Board of Directors and Executive Committee	-	-
	6,525	6,525

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 # 13), are as follows:

	2014	2013
	SR 000	SR 000
Balance, beginning of the year	1,296	-
Fees and expenses charged for 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:

	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 the year ended 31 December 2013, 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 profit or loss and comprehensive income of the Group.

See also note 8.

22. 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 consolidated statement of profit or loss and comprehensive income for the year ended 31 December 2014 was SR 2.71 million (31 December 2013: SR 2.13 million), and the outstanding contribution as at 31 December 2014 is SR 171 thousand (31 December 2013: SR 155 thousand).

23. CAPITAL MANAGEMENT

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 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'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:

	2014	2013
	SR 000	SR 000
Islamic borrowings	7,606,628	5,903,577
Cash and cash equivalents and short term deposits	(2,310,196)	(2,279,132)
Net debt	5,296,432	3,624,445
Shareholders' equity	17,567,516	16,992,821
Net debt to equity ratio	30%	21%

24. 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

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 year under review the average rate of 3 months LIBOR varied between 0.26% and 0.23% (0.25 % and 0.24 % for 2013) and SAIBOR varied between 0.94% and 0.86% (0.96% and 0.95 % for 2013).

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

	2014	2013
	SR 000	SR 000
+ 25 basis points	8,505	14,973
- 25 basis points	(8,505)	(14,973)

The net profit of the Group for the reported year would have been affected by the above amount as a result of such changes in floating commission rates. Due to the capitalisation of borrowing costs directly 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 limited to around 10%, as 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 year ended 31 December 2014 is 7.66% (31 December 2013: 7.6%)

See notes 12 and 15 for further details.

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

2014 SAR' 000	**Within 3 Months**	**3 months to 1 year**	**One year to 5 years**	**No fixed maturity**	**Total**
Assets					
Investment properties, net	-	-	-	3,567,451	3,567,451
Development properties	-	794,145	-	16,311,450	17,105,595
Property and equipment, net	-	-	-	71,279	71,279
Investments in associates	-	-	-	763,407	763,407
Trade receivables and others	-	2,564,618	-	-	2,564,618
Short term deposits	1,175,000	-	-	-	1,175,000
Cash and cash equivalents	1,135,196	-	-	-	1,135,196
Total assets	**2,310,196**	**3,358,763**	**-**	**20,713,587**	**26,382,546**
Liabilities and equity					
Long-term borrowings	1,568,643	579,421	5,458,564	-	7,606,628
End of service indemnities	-	-	-	18,544	18,544
Trade payables and others	-	585,523	-	-	585,523
Current tax liabilities (Zakat)	-	604,335	-	-	604,335
Shareholders' Equity	-	-	-	17,567,516	17,567,516
Total liabilities and equity	**1,568,643**	**1,733,882**	**5,458,564**	**17,621,457**	**26,382,546**

2013 SAR' 000	Within 3 Months	3 months to 1 year	One year to 5 years	No fixed maturity	Total
Assets					
Investment properties, net	-	-	-	2,694,638	2,694,638
Development properties	-	971,639	-	15,581,373	16,553,012
Property and equipment, net	-	-	-	74,370	74,370
Investments in associates	-	-	-	747,407	747,407
Other assets	-	132	-	-	132
Trade receivables and others	-	1,848,641	-	-	1,848,641
Cash and cash equivalents	2,279,132	-	-	-	2,279,132
Total assets	2,279,132	2,820,412	-	19,097,788	24,197,332
Liabilities and equity					
Long-term borrowings	144,640	599,668	5,159,269	-	5,903,577
End of service indemnities	-	-	-	17,348	17,348
Trade payables and others	-	683,341	-	-	683,341
Current tax liabilities (Zakat)	-	600,245	-	-	600,245
Shareholders' Equity				16,992,821	16,992,821
Total liabilities and equity	144,640	1,847,505	5,159,269	17,045,918	24,197,332

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.

25. COMMITMENTS AND CONTINGENCIES

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 31 December 2014 amounts 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).

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 31 December 2014, there were no significant claims notified (31 December 2013: None).

26. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on 20 January 2015.