DAR AL ARKAN

REAL ESTATE DEVELOPMENT COMPANY

SAUDI JOINT STOCK COMPANY

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

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

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AUDITORS' LIMITED REVIEW REPORT

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

Scope of review

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

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

Review result

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

Deloitte & Touche
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Bakr A. Abulkhair
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27 Jumad Al Awal 1434
8 April 2013

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 31 MARCH 2013

	Notes	31 March 2013 SR 000	31 March 2012 SR 000
ASSETS			
Current Assets			
Cash and cash equivalents		**834,614**	3,115,990
Accounts receivable, net	(5)	**1,608,547**	811,683
Prepaid expenses and others	(6)	**615,678**	176,005
Due from a related party	(7 a)	**143**	143
Projects in progress – short-term	(8 a)	**46,702**	57,049
Developed land – short-term		**881,035**	2,185,842
Total Current Assets		**3,986,719**	6,346,712
Non-Current Assets			
Projects in progress – long-term	(8 b)	**7,184,015**	8,242,679
Investments in land under development	(9)	**5,155,198**	4,850,008
Developed land – long-term		**2,154,828**	805,659
Investment properties, net	(10)	**2,730,813**	2,789,562
Investment in associates	(11)	**744,657**	1,163,160
Property and equipment, net	(12)	**76,923**	81,349
Deferred charges	(13)	**231**	791
Total Non-Current Assets		**18,046,665**	17,933,208
TOTAL ASSETS		**22,033,384**	24,279,920
LIABILITIES AND EQUITY			
Current Liabilities			
Islamic borrowings – current portion	(14)	**954,353**	4,516,180
Due to a related party	(7 b)	**197,867**	
Accounts payable	(16)	**331,440**	360,101
Accrued expenses and others	(17)	**791,778**	741,941
Total Current Liabilities		**2,275,438**	5,618,222
Non-Current Liabilities			
Islamic borrowings	(14)	**3,192,048**	2,766,806
Provision for end-of-service indemnities	(18)	**16,928**	14,740
Total Non-Current Liabilities		**3,208,976**	2,781,546
Total liabilities		**5,484,414**	8,399,768
Shareholders' Equity			
Share capital	(19)	**10,800,000**	10,800,000
Statutory reserve		**816,768**	716,768
Retained earnings		**4,932,202**	4,098,643
Equity attributable to Dar Al Arkan shareholders		**16,548,970**	15,615,411
Non-controlling interests from Group subsidiaries		**-**	264,741
Total Equity		**16,548,970**	15,880,152
TOTAL LIABILITIES AND EQUITY		**22,033,384**	24,279,920

Managing Director

Chief Financial Officer

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2013

	Notes	Three-month period ended	
		31 March 2013 SR 000	31 March 2012 SR 000
Revenues from operations		**835,821**	868,193
Cost of operations		**(460,240)**	(500,738)
Gross profit	(4)	**375,581**	367,455
Operating expenses:			
General, administrative, selling and marketing expenses		**(51,304)**	(26,683)
Depreciation	(10, 12)	**(1,062)**	(5,544)
Amortisation of deferred charges	(13, 14 a)	**(5,006)**	(4,615)
Income for the period from operating activities		**318,209**	330,613
Other Income / (expenses) :			
Share of income from investment in associates	(11)	**500**	400
Islamic Murabaha charges		**(36,766)**	(10,632)
Islamic Sukuk charges		**(26,538)**	(34,361)
Other (expenses) / income, net		**(11,494)**	14,169
Income for the period before Zakat		**243,911**	300,189
Zakat provision	(17 a)	**(6,300)**	(7,600)
Net income for the period		**237,611**	292,589
Earnings per share for the period (in Saudi Riyal)	(20)		
From operating activities		**0.29**	0.31
From net income		**0.22**	0.27

Managing Director

Chief Financial Officer

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2013

	Three-month period ended	
	31 March 2013	31 March 2012
	SR 000	SR 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income for the period before zakat	243,911	300,189
Adjustment for:		
Depreciation	10,074	7,542
Amortisation of deferred charges	5,006	4,615
Provision for end-of-service indemnities	763	1,006
Share of income from investment in associates	(500)	(400)
Changes in operating assets and liabilities		
Accounts receivable	(115,798)	416,025
Prepaid expenses and others	17,103	55,625
Projects in progress – short-term		7,420
Developed land	(67,090)	(125,141)
Accounts payable	75,307	21,505
Accrued expenses and others	(28,164)	(28,909)
Zakat paid	-	(5,056)
End-of-service indemnities paid	(410)	(424)
Net cash from operating activities	140,202	653,997
CASH FLOWS FROM INVESTING ACTIVITIES		
Projects in progress – long-term	(45,430)	(395,745)
Investments in land under development	450,432	232,918
Advance payments to purchase land	-	275,131
Investment properties	(2,765)	(42,332)
Purchase of property and equipment	(311)	(164)
Net cash from investing activities	401,926	69,808
CASH FLOWS FROM FINANCING ACTIVITIES		
Islamic borrowings	(243,051)	(113,589)
Due to a related party	(234)	
Net cash used in financing activities	(243,285)	(113,589)
Increase in cash and cash equivalents	298,843	610,216
Cash and cash equivalents, beginning of the period	535,771	2,505,774
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	834,614	3,115,990

Managing Director

Chief Financial Officer

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2013

2012	Share Capital SR 000	Statutory Reserve SR 000	Retained Earnings SR 000	Equity attributable to Dar Al Arkan shareholders SR 000
Balance as at 1 January 2012	10,800,000	716,768	3,806,054	15,322,822
Net income for the period			292,589	292,589
Balance as at 31 March 2012	10,800,000	716,768	4,098,643	15,615,411
2013				
Balance as at 1 January 2013	**10,800,000**	**816,768**	**4,694,591**	**16,311,359**
Net income for the period	-	-	**237,611**	**237,611**
Balance as at 31 March 2013	**10,800,000**	**816,768**	**4,932,202**	**16,548,970**

Managing Director

Chief Financial Officer

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

1. GENERAL INFORMATION:

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

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

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

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

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

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

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

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

THAWABIT INVESTMENT – 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.

SIYADA INVESTMENT COMPANY – is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No: 1010275448, dated 30/10/1430H (corresponding to 19/10/2009G). It operates in Real Estate investments and development.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

2.2 ACCOUNTING CONVENTION

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

2.3 BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

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

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

2.4 PROPERTY AND EQUIPMENT

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

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

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

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

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

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

2.5 INVESTMENT PROPERTIES

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

Buildings	3%

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

2.6 FINANCE CHARGES

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

2.7 FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

2.8 IMPAIRMENT OF TANGIBLE ASSETS

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

2.9 REVENUE RECOGNITION

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

2.10 ZAKAT

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

2.11 FOREIGN CURRENCIES

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

2.12 STATUTORY RESERVE

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

2.13 END-OF-SERVICE INDEMNITIES

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

2.14 RETIREMENT BENEFIT COSTS

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

2.15 LEASING

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

2.16 OPERATING EXPENSES

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

3. USE OF ESTIMATES

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

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

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

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

Information in respect of these products is presented below:

	Three-month period ended	
	31 March 2013 (Unaudited) SR 000	31 March 2012 (Unaudited) SR 000
REVENUES FROM OPERATIONS		
Sale of residential properties	**-**	12,785
Sale of land	**810,905**	850,751
Leasing of properties	**24,916**	4,657
Total	**835,821**	868,193
COST OF OPERATIONS		
Residential properties	**-**	10,596
Land	**451,228**	488,144
Leasing of properties	**9,012**	1,998
Total	**460,240**	500,738
GROSS PROFIT		
Residential properties	**-**	2,189
Land	**359,677**	362,607
Leasing of properties	**15,904**	2,659
Total	**375,581**	367,455

5. ACCOUNTS RECEIVABLE, NET

	31 March 2013 (Unaudited) SR 000	31 March 2012 (Unaudited) SR 000
Customers	**1,613,026**	816,162
Provision for doubtful debts	**(4,479)**	(4,479)
Total	**1,608,547**	811,683

6. PREPAID EXPENSES AND OTHERS

	31 March 2013 (Unaudited) SR 000	31 March 2012 (Unaudited) SR 000
Advance payments to purchase land	**563,270**	100,375
Accrued income	**21,903**	10,664
Advance payments to contractors	**12,329**	15,176
Prepaid expenses and other assets	**8,998**	5,294
Employees' advances and receivables	**4,993**	3,661
Advance payments to suppliers	**4,149**	5,681
Positive value of commission rate SWAP (Note 15)	**-**	35,118
Others	**36**	36
Total	**615,678**	176,005

7. RELATED PARTY TRANSACTIONS

a) Due from a related party

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

	Three-month period ended	
	31 March 2013 (Unaudited)	**31 March 2012 (Unaudited)**
	SR 000	**SR 000**
Balance, beginning of the period	**143**	143
Sales	**-**	8,186
Commission	**-**	(10)
Collections	**-**	(8,176)
Balance, end of the period	**143**	143

b) Due to a related party

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

	Three-month period ended	
	31 March 2013 (Unaudited)	**31 March 2012 (Unaudited)**
	SR 000	**SR 000**
Balance, beginning of the period	**198,101**	-
Repayment of advances	**(724)**	-
Profit charged	**490**	-
Balance, end of the period	**197,867**	-

For the three-month period ended 31 March 2013 and 2012, no 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:

	31 March 2013 (Unaudited)	**31 March 2012 (Unaudited)**
	SR 000	**SR 000**
Residential and commercial development	**46,702**	57,049
Total	**46,702**	57,049

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:

	31 March 2013 (Unaudited) SR 000	31 March 2012 (Unaudited) SR 000
Residential and commercial development	**3,259,515**	4,562,442
Land development projects	**3,924,500**	3,680,237
Total	**7,184,015**	8,242,679

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. The residential and commercial development value for 31 March 2012 includes SR 599 million of Khozham projects deconsolidated with effect from 1 April 2012.

During the period, the Group's management capitalised Islamic Sukuk charges in the amount of SR 19.24 million (31 March 2012: 41.07 million) under projects in progress.

9. INVESTMENTS IN LAND UNDER DEVELOPMENT

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

10. INVESTMENT PROPERTIES, NET

	Three-month period ended	
	31 March 2013 (Unaudited) SR 000	31 March 2012 (Unaudited) SR 000
COST		
At beginning of the period	**2,784,469**	2,763,626
Additions	**2,765**	38,236
Capitalisation of borrowing costs	**-**	4,096
At end of the period	**2,787,234**	2,805,958
ACCUMULATED DEPRECIATION		
At beginning of the period	**47,409**	10,273
Charged during the period	**9,012**	6,123
At end of the period	**56,421**	16,396
CARRYING AMOUNT AT THE END OF THE PERIOD	**2,730,813**	2,789,562

Included within investment properties is land with an original cost of SR 378.1 million (31 March 2012: SR 378.1 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:

	Three-month period ended	
	31 March 2013 (Unaudited)	**31 March 2012 (Unaudited)**
	SR 000	**SR 000**
Balance, beginning of the period	**744,157**	1,162,760
Share of income	**500**	400
Balance, end of the period	**744,657**	1,163,160

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

Name of the entity	**Amount invested**	**% of Holding**
	SR 000	
Saudi Home Loans	**120,000**	**15%**
Alkhair Capital Saudi Arabia	**102,000**	**34%**
Khozam Real Estate Development Company	**525,547**	**51%**
Accumulated share of losses	**(2,890)**	
Balance, end of the period	**744,657**	

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

12. PROPERTY AND EQUIPMENT, NET

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

	Land and Buildings	Leasehold improvements	Vehicles	Machinery and tools	Office equipment	Total
	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000
Cost						
Balance at 1 January 2013	**109,145**	**19,037**	**9,250**	**13,536**	**39,411**	**190,379**
Additions for the period	**-**	**-**	**-**	**-**	**311**	**311**
Balance at 31 March 2013	**109,145**	**19,037**	**9,250**	**13,536**	**39,722**	**190,690**
Accumulated Depreciation						
Balance at 1 January 2013	**33,075**	**18,866**	**9,184**	**13,404**	**38,176**	**112,705**
Depreciation for the period	**754**	**37**	**21**	**10**	**240**	**1,062**
Balance at 31 March 2013	**33,829**	**18,903**	**9,205**	**13,414**	**38,416**	**113,767**
Net book value 31 March 2013	**75,316**	**134**	**45**	**122**	**1,306**	**76,923**
Net book value 31 March 2012	78,332	384	168	228	2,237	81,349

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

13. DEFERRED CHARGES

The movement during the period is as below:

	Three-month period ended	
	31 March 2013 (Unaudited)	**31 March 2012 (Unaudited)**
	SR 000	**SR 000**
Balance, beginning of the period	**264**	967
Amortisation charge for the period	**(33)**	(176)
Balance , end of the period	**231**	791

14. ISLAMIC BORROWINGS

	31 March 2013 (Unaudited)	31 March 2012 (Unaudited)
	SR 000	SR 000
Islamic Sukuk – International	**1,687,500**	5,437,500
Islamic Sukuk – Local	**750,000**	750,000
Islamic Murabaha	**1,758,509**	1,141,395
	4,196,009	7,328,895
Less: Un-amortised transaction costs	**(49,608)**	(45,909)
Islamic borrowings – end of the period	**4,146,401**	7,282,986
Less: Islamic borrowings – current portion	**(954,353)**	(4,516,180)
Islamic borrowings - long-term	**3,192,048**	2,766,806

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

	Three-month period ended	
	31 March 2013 (Unaudited)	31 March 2012 (Unaudited)
	SR 000	SR 000
Balance, beginning of the period	**55,962**	55,367
Additions during the period	**-**	100
Capitalisation during the period	**(1,381)**	(5,119)
Amortisation charge for the period	**(4,973)**	(4,439)
Balance, end of the period	**49,608**	45,909

Analysis of borrowings:

Islamic Sukuk – International
This represents SR 1.69 billion (USD 450 million) of Islamic Sukuk carried in the books of the Group maturing in 2015. The beneficiary rights of the 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 investment profit is payable to the Saudi SPV, through which the Sukuk was issued, by the sale of properties owned by the Group. The Group has issued a corporate guarantee to the Sukuk holders. This facility has index based commission rate swap arrangements which effectively reduce the fixed rate commission (Note 15).

The Islamic Sukuk (International) is 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.

Islamic Sukuk - Local
This represents an Islamic Sukuk issued by the Group for the amount of SR 750 million maturing in 2014.

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

Islamic Murabaha

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

Summary of the Murabahas:

Maturity date	Outstanding Balance SR 000	Short-term SR 000	Long-term SR 000
2013	**200,000**	**200,000**	**-**
2014	**450,714**	**367,143**	**83,571**
2015	**1,032,795**	**377,727**	**655,068**
2016	**75,000**	**20,000**	**55,000**
	1,758,509	**964,870**	**793,639**

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

15. COMMISSION RATE SWAP

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

The cumulative fair value of this agreement which does not qualify for hedge accounting in accordance with generally accepted accounting standards amounted to SR (7.80) million (USD (2.08) million) (31 March 2012: SR 35.12 million (USD 9.36 million). The change in the fair value during the period amounting to SR 17.84 million (USD 4.75 million) has been recognised as other expenses in the interim consolidated statement of income (SR 17.72 million (USD 4.72 million) for the three-month period ended 31 March 2012).

16. ACCOUNTS PAYABLE

	31 March 2013 (Unaudited)	31 March 2012 (Unaudited)
	SR 000	SR 000
Contractors	**209,650**	276,580
Advances from customers	**85,506**	15,105
Suppliers	**31,325**	51,184
Others	**4,959**	17,232
Total	**331,440**	360,101

17. ACCRUED EXPENSES AND OTHERS

	31 March 2013 (Unaudited)	31 March 2012 (Unaudited)
	SR 000	SR 000
Zakat provision (a)	**650,369**	626,229
Dividend payable	**35,942**	36,358
Unearned revenue	**34,824**	6,388
Islamic Sukuk charges	**26,580**	48,746
Islamic Murabaha charges	**22,135**	9,665
Accrued expenses	**14,120**	14,555
Negative value of commission rate SWAP (Note 15)	**7,808**	-
Total	**791,778**	741,941

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

	Three-month period ended	
	31 March 2013 (Unaudited)	31 March 2012 (Unaudited)
	SR 000	SR 000
Balance beginning of the period	**644,069**	623,685
Estimated Zakat for the current period	**6,300**	7,600
Payment made during the period	**-**	(5,056)
Estimated Zakat provision, end of the period	**650,369**	626,229

b) The Company has received the assessments from DZIT for the years 2003, 2004, 2005, 2006, 2008 and 2009 and has filed an objection for the years 2003 to 2006 which is still under the review of DZIT. The Company has not received DZIT assessment for year 2007. The filing of the consolidated zakat return for year 2010, 2011 and 2012 are currently under process.

18. PROVISION FOR END-OF-SERVICE INDEMNITIES

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

	Three-month period ended	
	31 March 2013 (Unaudited)	**31 March 2012 (Unaudited)**
	SR 000	**SR 000**
Balance, beginning of the period	**16,575**	14,158
Charged to expenses during the period	**763**	1,006
Paid during the period	**(410)**	(424)
Balance, end of the period	**16,928**	14,740

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:

	Three-month period ended	
	31 March 2013 (Unaudited)	**31 March 2012 (Unaudited)**
	SR 000	**SR 000**
Earnings		
For the purpose of basic earnings per share:		
Income for the period from operating activities	**318,209**	330,613
Net income for the period	**237,611**	292,589
Number of shares	**Number**	**Number**
Weighted average number of ordinary shares For the purpose of basic earnings per share	**1,080,000,000**	1,080,000,000

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

21. COMMITMENTS

As at 31 March 2013, the Group has commitments which represent the value of the part not yet executed from the projects development contracts amounting to SR 88 million (31 March 2012: SR 152 million).

22. INTERIM RESULTS

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