DAR AL ARKAN

REAL ESTATE DEVELOPMENT COMPANY

SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' LIMITED REVIEW REPORT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' LIMITED REVIEW REPORT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

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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 June 30, 2012 and the related interim consolidated statement of income for the three-month and six-month periods then ended and the interim consolidated statements of cash flows and changes in shareholders' equity for the six-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 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 Accounting Standards Generally Accepted in the Kingdom of Saudi Arabia.

Deloitte & Touche
Bakr Abulkhair & Co.

Talal Abu-Ghazaleh & Co.

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17 Sha'aban 1433 H
7 July 2012

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30 JUNE 2012

	Notes	30 June 2012	30 June 2011
ASSETS		SR 000	SR 000
Current Assets			
Cash and cash equivalents		**3,252,410**	1,807,797
Accounts receivable, net	(5)	**1,024,178**	1,683,492
Prepaid expenses and others	(6)	**285,856**	305,909
Due from related parties	(7 a)	**591**	2,992
Projects in progress – short-term	(8 a)	**50,415**	97,207
Developed land – short-term		**2,204,087**	279,554
Total Current Assets		**6,817,537**	4,176,951
Non-Current Assets			
Projects in progress – long – term	(8 b)	**7,142,115**	7,831,079
Investments in land under development	(9)	**4,753,104**	4,970,220
Developed land – long-term		**833,658**	2,929,939
Investment properties, net	(10)	**2,769,178**	2,632,045
Investment in associates	(11)	**1,688,707**	1,162,760
Property and equipment, net	(12)	**80,100**	86,474
Deferred charges	(13)	**617**	1,408
Total Non-Current Assets		**17,267,479**	19,613,925
TOTAL ASSETS		**24,085,016**	23,790,876
LIABILITIES AND EQUITY			
Current Liabilities			
Islamic borrowings – current portion	(14)	**4,135,601**	801,587
Due to related parties	(7 b)	**198,082**	-
Accounts payable	(16)	**327,607**	361,612
Accrued expenses and others	(17)	**777,402**	740,596
Total Current Liabilities		**5,438,692**	1,903,795
Non-Current Liabilities			
Islamic borrowings	(14)	**2,684,323**	6,802,446
Provision for end-of-service indemnities	(18)	**15,565**	14,151
Total Non-Current Liabilities		**2,699,888**	6,816,597
Total liabilities		**8,138,580**	8,720,392
Shareholders' Equity			
Share capital	(19)	**10,800,000**	10,800,000
Statutory reserve		**716,768**	607,768
Retained earnings		**4,429,668**	3,397,975
Equity attributable to Dar Al Arkan shareholders		**15,946,436**	14,805,743
Non-controlling interests from Group subsidiaries		**-**	264,741
Total Equity		**15,946,436**	15,070,484
TOTAL LIABILITIES AND EQUITY		**24,085,016**	23,790,876

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 SIX-MONTH PERIOD ENDED 30 JUNE 2012

	Notes	Three-month period ended		Six-month period ended	
		30 June 2012	30 June 2011	**30 June 2012**	30 June 2011
		SR 000	SR 000	**SR 000**	SR 000
Revenues from operations		**1,083,507**	791,237	**1,951,700**	1,746,391
Cost of operations		**(695,462)**	(453,499)	**(1,196,200)**	(1,042,026)
Gross profit	(4)	**388,045**	337,738	**755,500**	704,365
Operating expenses:					
General, administrative, selling and marketing expenses		**(35,815)**	(22,683)	**(62,498)**	(42,351)
Depreciation	(10, 12)	**(5,512)**	(4,491)	**(11,056)**	(7,024)
Amortisation of deferred charges	(13,14a)	**(4,990)**	(4,827)	**(9,605)**	(9,693)
Income for the period from operating activities		**341,728**	305,737	**672,341**	645,297
Other Income / (expenses):					
Share of income from investment in associates	(11)	**-**	-	**400**	400
Islamic Murabaha charges		**(9,369)**	(17,122)	**(20,001)**	(33,549)
Islamic Sukuk charges		**(42,637)**	(39,464)	**(76,998)**	(74,733)
Other income (expenses), net		**49,303**	56,870	**63,472**	56,696
Income for the period before Zakat		**339,025**	306,021	**639,214**	594,111
Zakat provision	(17a)	**(8,000)**	(8,255)	**(15,600)**	(23,255)
Net income for the period		**331,025**	297,766	**623,614**	570,856
Earnings per share for the period (in Saudi Riyal)	(20)				
From operating activities		**0.32**	0.28	**0.62**	0.60
From net income		**0.31**	0.28	**0.58**	0.53

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 SIX-MONTH PERIOD ENDED 30 JUNE 2012

	Six-month period ended	
	30 June 2012	30 June 2011
	SR 000	SR 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income for the period before zakat	**639,214**	594,111
Adjustment for:		
Depreciation	**15,346**	7,024
Amortisation of deferred charges	**9,605**	9,693
Provision for end-of-service indemnities	**1,960**	1,897
Share of income from investment in associates	**(400)**	(400)
Gain on disposal of property and equipment	-	(288)
Changes in operating assets and liabilities		
Accounts receivable	**203,530**	(16,492)
Prepaid expenses and others	**4,304**	(29,229)
Due from related parties	**(448)**	(1,628)
Projects in progress – short-term	**14,054**	87,453
Developed land	**(171,385)**	(8,667)
Accounts payable	**(10,989)**	(19,798)
Accrued expenses and others	**(1,448)**	(3,635)
Zakat paid	**(5,056)**	(12,763)
End-of-service indemnities paid	**(553)**	(345)
Net cash from operating activities	**697,734**	606,933
CASH FLOWS FROM INVESTING ACTIVITIES		
Projects in progress – long-term	**105,235**	817,739
Investments in land under development	**329,822**	(238,560)
Advance payments to purchase land	**216,601**	279,711
Investment properties	**(28,365)**	(720,166)
Purchase of property and equipment	**(302)**	(58)
Proceeds from disposal of property and equipment	**-**	322
Net cash from investing activities	**622,991**	138,988
CASH FLOWS FROM FINANCING ACTIVITIES		
Islamic borrowings	**(581,467)**	(126,637)
Due to related parties	**7,378**	-
Net cash used in financing activities	**(574,089)**	(126,637)
Increase in cash and cash equivalents	**746,636**	619,284
Cash and cash equivalents, beginning of the period	**2,505,774**	1,188,513
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	**3,252,410**	1,807,797
Non-cash transactions related to deconsolidation of a subsidiary (Note 11)		
Projects under progress-long-term	**599,584**	-
Investment in associates	**(525,547)**	-
Non-controlling Interests	**(264,741)**	-
Due to related parties	**190,704**	-

Managing Director

Chief Financial Officer

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

	Share Capital	Statutory Reserve	Retained Earnings	Equity attributable to Dar Al Arkan Shareholders
2011	SR 000	SR 000	SR 000	SR 000
Balance as at 1 January 2011	10,800,000	607,768	2,827,119	14,234,887
Net income for the period	-	-	570,856	570,856
Balance as at 30 June 2011	10,800,000	607,768	3,397,975	14,805,743
2012				
Balance as at 1 January 2012	**10,800,000**	**716,768**	**3,806,054**	**15,322,822**
Net income for the period	**-**	**-**	**623,614**	**623,614**
Balance as at 30 June 2012	**10,800,000**	**716,768**	**4,429,668**	**15,946,436**

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 "Group"), 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 Group is 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, 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 30 June 2012.

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 historical cost of the assets acquired, 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 historical cost 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 receivables
Accounts receivables 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 Company 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 development properties. 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 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 at the rates prevailing on the interim consolidated balance sheet date. Non-monetary assets and liabilities that are denominated in foreign currencies are translated 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:

	Six-month period ended	
	30 June 2012 (Unaudited)	30 June 2011 (Unaudited)
	SR 000	SR 000
REVENUES		
Sale of residential properties	**18,626**	42,164
Sale of land	**1,923,380**	1,696,216
Leasing of properties	**9,694**	8,011
Total	**1,951,700**	1,746,391
COST OF SALES		
Residential properties	**15,610**	35,888
Land	**1,176,300**	1,006,138
Leasing of properties	**4,290**	-
Total	**1,196,200**	1,042,026
GROSS PROFIT		
Residential properties	**3,016**	6,276
Land	**747,080**	690,078
Leasing of properties	**5,404**	8,011
Total	**755,500**	704,365

5. ACCOUNTS RECEIVABLE, NET

	30 June 2012 (Unaudited)	30 June 2011 (Unaudited)
	SR 000	SR 000
Customers	**1,028,657**	1,687,971
Provision for doubtful debtors	**(4,479)**	(4,479)
Total	**1,024,178**	1,683,492

6. PREPAID EXPENSES AND OTHERS

	30 June 2012 (Unaudited)	30 June 2011 (Unaudited)
	SR 000	SR 000
Advance payments to purchase land	**158,905**	139,256
Positive value of commission SWAP contract	**56,192**	49,266
Accrued income	**38,858**	56,773
Advance payments to contractors	**14,758**	43,965
Prepaid expenses	**8,656**	9,786
Advance payments to suppliers	**4,583**	4,066
Employees' advances and receivables	**3,868**	2,760
Others	**36**	37
Total	**285,856**	305,909

7. RELATED PARTY TRANSACTIONS

a) Due from related parties

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

	Six-month period ended	
	30 June 2012 (Unaudited)	30 June 2011 (Unaudited)
	SR 000	SR 000
Balance, beginning of the period	**143**	1,364
Sales	**8,634**	20,134
Commission	**(10)**	(13)
Collection	**(8,176)**	(18,493)
Balance, end of the period	**591**	2,992

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 are as follows:

	Six-month period ended	
	30 June 2012 (Unaudited)	30 June 2011 (Unaudited)
	SR 000	SR 000
Balance transferred as on 1 April 2012	**205,425**	-
Expenses/assets	**(83)**	-
Repayment of advances	**(7,750)**	-
Profit charged	**490**	
Balance, end of the period	**198,082**	-

For the six-month period ended 30 June 2012 and 2011, 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:

	30 June 2012 (Unaudited)	30 June 2011 (Unaudited)
	SR 000	SR 000
Residential and commercial development	**50,415**	97,207
Total	**50,415**	97,207

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

b) Projects in progress – long-term:

	30 June 2012 (Unaudited) SR 000	30 June 2011 (Unaudited) SR 000
Residential and commercial development	**3,414,412**	3,768,377
Land development projects	**3,727,703**	4,062,702
Total	**7,142,115**	7,831,079

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

During the period the Group's management capitalised Islamic Sukuk charges in the amount of SR 83.68 million (30 June 2011: 81 million) under projects in progress.

From 1 April 2012 the projects in progress recorded for Khozam project has been deconsolidated from these financials. (Refer Note 11)

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

	Six-month period ended	
	30 June 2012 (Unaudited) SR 000	30 June 2011 (Unaudited) SR 000
COST		
At beginning of the period	**2,763,626**	1,918,823
Additions	**23,097**	714,096
Capitalisation of borrowing costs	**5,268**	6,070
At end of the period	**2,791,991**	2,638,989
ACCUMULATED DEPRECIATION		
At beginning of the period	**10,273**	4,496
Charge during the period	**12,540**	2,448
At end of the period	**22,813**	6,944
CARRYING AMOUNT AT THE END OF THE PERIOD	**2,769,178**	2,632,045

Included within investment properties is land with an original cost of SR 378.1 million (30 June 2011: SR 378.1 million).

11. INVESTMENT IN ASSOCIATES

This represents investment in shares of companies that are not publicly traded. The Group's ownership in these companies ranges from 15% to 51%. The Group has invested 51% in Khozam Real Estate Development Company (KDC) and maintained control of the operations and consolidated KDC's financial statements with its financial statements up to 31 March 2012. Subsequent to 31 March 2012, the Group signed a Technical and Management Service Agreement (TMSA) with KDC for supervision and technical support for Khozam project. Since the power to govern the financial and operating policies of KDC are jointly bestowed with KDC Shareholders', the assets and liabilities of KDC has been deconsolidated from these financial statements and accounted as investment in associates under equity method of accounting. Movement in investment in associates is as follows:

	Six-month period ended	
	30 June 2012 (Unaudited)	**30 June 2011 (Unaudited)**
	SR 000	**SR 000**
Balance, beginning of the period	**1,162,760**	1,162,360
Transfer on deconsolidation	**525,547**	-
Share of income	**400**	400
Balance, end of the period	**1,688,707**	1,162,760

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
	SR000	SR000	SR000	SR000	SR000	SR000
Cost						
Balance at 1 January, 2012	**109,145**	**19,037**	**9,250**	**13,404**	**39,088**	**189,924**
Additions for the period	**-**	**-**	**-**	**130**	**172**	**302**
Balance at 30 June 2012	**109,145**	**19,037**	**9,250**	**13,534**	**39,260**	**190,226**
Accumulated Depreciation						
Balance at 1 January 2012	**30,059**	**18,570**	**9,040**	**13,268**	**36,383**	**107,320**
Depreciation for the period	**1,508**	**166**	**84**	**74**	**974**	**2,806**
Balance at 30 June 2012	**31,567**	**18,736**	**9,124**	**13,342**	**37,357**	**110,126**
Net book value 30 June 2012	**77,578**	**301**	**126**	**192**	**1,903**	**80,100**
Net book value 30 June 2011	80,595	677	306	1,075	3,821	86,474

Included within land and buildings are land with an original cost of SR 9.50 million (30 June 2011: SR 9.50 million).

13. DEFERRED CHARGES

The movement during the period is as below:

	Six-month period ended	
	30 June 2012 (Unaudited) SR 000	30 June 2011 (Unaudited) SR 000
Balance, beginning of the period	**967**	1,916
Amortisation charge for the period	**(350)**	(508)
Balance, end of the period	**617**	1,408

14. ISLAMIC BORROWINGS

	30 June 2012 (Unaudited) SR 000	30 June 2011 (Unaudited) SR 000
Islamic Sukuk – International	**5,437,500**	5,437,500
Islamic Sukuk – Local	**750,000**	750,000
Islamic Murabaha	**669,195**	1,491,073
	6,856,695	7,678,573
Less: Un-amortised transaction costs	**(36,771)**	(74,540)
Islamic borrowings – end of the period	**6,819,924**	7,604,033
Less: Islamic borrowings – current portion	**(4,135,601)**	(801,587)
Islamic borrowings – long-term	**2,684,323**	6,802,446

***Repayable as follows*:**

	30 June 2012 (Unaudited) SR 000	30 June 2011 (Unaudited) SR 000
Within one year	**4,137,142**	801,587
In the second year	**937,144**	4,239,934
In the third to fifth years inclusive	**1,782,409**	2,637,052
	6,856,695	7,678,573

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

	Six-month period ended	
	30 June 2012 (Unaudited) SR 000	30 June 2011 (Unaudited) SR 000
Balance, beginning of the period	**55,367**	91,217
Additions during the period	**100**	2,401
Capitalisation during the period	**(9,441)**	(9,893)
Amortisation charge for the period	**(9,255)**	(9,185)
Balance, end of the period	**36,771**	74,540

Analysis of borrowings:

Islamic Sukuk – International
This represents SR 5.44 billion of Islamic Sukuk comprising:

1) SR 3.75 billion (USD 1 billion) of Islamic Sukuk carried in the books of the Group, issued by Dar Al Arkan International Sukuk Company at LIBOR plus profit margin of 2.25% and maturing in 2012.

2) 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.

The beneficiary rights are for Dar Al Arkan Real Estate Development Company and its subsidiaries. These Sukuk were issued through the sale of land owned by the Group with the rights to buy back the beneficial ownership of these land upon the repayment of the full amount of the Sukuk. The Group has issued a corporate guarantee to the Sukuk holders.

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 at SIBOR plus profit margin of 4%, maturing in 2014.

The Sukuk agreements include financial covenants, which the Group was in compliance with as at 30 June 2012.

Islamic Murabaha
This represents SR 900 million Murabaha facilities from local commercial banks, in the form of Islamic Murabaha, letters of guarantee and letters of credit comprising:

1) An amount of SR 400 million in the form of long-term Islamic Murabaha, which bears finance charges at prevailing rates between local banks plus annual profit margin of 3%. The facility is being repaid in eight equal semi-annual payments starting 2010. As at 30 June 2012 an amount of SR 200 million is outstanding towards this facility.

2) An amount of SR 200 million in the form of short-term Islamic Murabaha bearing finance charges at prevailing rates between the local banks plus annual profit margin of 3%. As at 30June 2012 an amount of SR 200 million is outstanding towards this facility.

3) An amount of SR 200 million in the form of long-term Islamic Murabaha bearing finance charges at prevailing rates between the local banks plus annual profit margin of 3.75%. The facility is being repaid in seven equal semi-annual payments starting 2011. As at 30 June 2012 an amount of SR 114.29 million is outstanding towards this facility.

4) An amount of SR 100 million in the form of long-term Islamic Murabaha, which bears finance charges at prevailing rates between local banks plus annual profit margin of 3.5% (minimum of 4.5%). The facility is being repaid in twenty equal quarterly payments starting 2012. As at 30 June 2012 an amount of SR 90 million is outstanding against this facility.

The facility agreements include certain financial covenants, which the Group was in compliance with as at 30 June 2012 and there were no defaults or breaches of loan terms during the current or preceding periods.

The annualised weighted average effective commission rate for the year ended 30 June 2012 is 3.93% (4.80% for 30 June2011).

15. COMMISSION RATE SWAP DERIVATIVES

The Group agreed to exchange fixed rate commission liability with floating rate commission amounts, calculated on agreed notional principal amounts. The commission rate swap notional amount is SR 843.75 million (US$ 225 million) maturing on 18 February 2015. The effect of this swap is to convert the fixed-rate commission expense to a floating-rate commission expense, by settling the floating rate commission on a quarterly basis, and collecting on a semi-annual basis from the counterparty bank the fixed rate on the commission rate swap.

The cumulative positive fair value of this agreement which does not qualify for hedge accounting in accordance with generally accepted accounting standards amounted to SR56.19 million (USD 14.98 million) (30 June 2011: SR 49.27 million (USD 13.14 million). The change in the fair value during the period amounting to SR 3.35 million (USD 0.89 million) has been recognised as other income in the interim consolidated statement of income (SR 21.50 million (USD 5.73 million) for the six-month period ended 30 June 2011).

16. ACCOUNTS PAYABLE

	30 June 2012 (Unaudited)	30 June 2011 (Unaudited)
	SR 000	SR 000
Contractors	**244,342**	306,436
Suppliers	**49,906**	51,794
Advances from customers	**17,741**	164
Others	**15,618**	3,218
Total	**327,607**	361,612

17. ACCRUED EXPENSES AND OTHERS

	30 June 2012 (Unaudited)	30 June 2011 (Unaudited)
	SR 000	SR 000
Zakat provision (a)	**634,229**	597,566
Islamic Murabaha charges	**5,938**	7,962
Islamic Sukuk charges	**75,343**	74,741
Accrued expenses	**15,990**	17,361
Dividend payable	**36,332**	36,521
Others	**9,570**	6,445
Total	**777,402**	740,596

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

	Six-month period ended	
	30 June 2012 (Unaudited)	30 June 2011 (Unaudited)
	SR 000	SR 000
Balance, beginning of the period	**623,685**	587,074
Estimated Zakat for the current period	**15,600**	23,255
Payment made during the period	**(5,056)**	(12,763)
Estimated Zakat provision, end of the period	**634,229**	597,566

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 and 2011 are currently under process.

18. PROVISION FOR END-OF-SERVICE INDEMNITIES

This item represents the balance of provision for end-of-service indemnities as at 30 June 2012. During the period the Group's management charged an amount of SR 1.96 million (2011: SR 1.90 million) to expenses. The movement during the period is as below:

	Six-month period ended	
	30 June 2012 (Unaudited)	30 June 2011 (Unaudited)
	SR 000	SR 000
Balance, beginning of the period	**14,158**	12,599
Charged to expenses during the period	**1,960**	1,897
Paid during the period	**(553)**	(345)
Balance, end of the period	**15,565**	14,151

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:

	Six-month period ended	
	30 June 2012 (Unaudited)	30 June 2011 (Unaudited)
	SR 000	SR 000
Earnings		
For the purpose of basic earnings per share:		
Income for the period from operating activities	**672,341**	645,297
Net income for the period	**623,614**	570,856
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 30 June 2012, the Group and its subsidiaries have commitments which represent the value of the part not yet executed from the projects development contracts amounting to SR 144 million (2011: SR 307 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.

23. NEW FINANCING FACILITY AGREEMENT

Subsequent to the six-month period ended 30 June 2012, the Group signed a financing facility agreement with a leading foreign bank for US$ 150 million, which is available for immediate draw down.

24. COMPARATIVE FIGURES

Certain comparative figures of 2011 have been reclassified to conform to the presentation adopted in the current period.