DAR AL ARKAN

REAL ESTATE DEVELOPMENT COMPANY

SAUDI JOINT STOCK COMPANY

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

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FOR THE YEAR ENDED 31 DECEMBER 2011

Deloitte & Touche
Bakr Abulkhair & Co.
Deloitte.

License No. 96

Talal Abu-Ghazaleh & Co.
Member of Talal Abu-Ghazaleh Organization

License No. 81

AUDITORS' REPORT

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

Scope of Audit

We have audited the accompanying consolidated balance sheet of Dar Al Arkan Real Estate Development Company (A Saudi joint stock company) (the "Company") as at December 31, 2011, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and notes 1 to 21 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and submitted to us with all the necessary information and explanations which we required. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

Unqualified Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2011, and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the Company's bylaws as these relate to the preparation and presentation of the consolidated financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.

Bakr A. Abulkhair

Certified Public Accountant
License No. 101

22 Safar 1433 H
January 16, 2012

Talal Abu-Ghazaleh & Co.

Abdulqadir A. Al-Wohaib

Certified Public Accountant
License No. 48

C.P.A.
Deloitte & Touche
Bakr Abulkhair & Co.

P.R. 81
Public Accountants
Talal Abu-Ghazaleh & Co.

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2011

	Notes	31 December 2011	31 December 2010
ASSETS		SR 000	SR 000
Current Assets			
Cash and cash equivalents		2,505,774	1,188,513
Accounts receivable	(5)	1,227,708	1,667,000
Prepaid expenses and others	(6)	506,761	556,391
Due from related parties	(7)	143	1,364
Projects in progress – short-term	(8 a)	64,469	184,660
Developed land – short-term		2,106,603	270,887
Total Current Assets		6,411,458	3,868,815
Non-Current Assets			
Projects in progress – long-term	(8 b)	7,846,934	8,648,818
Investments in land under development	(9)	5,082,926	4,731,660
Developed land – long-term		759,757	2,929,939
Investment properties	(10a)	2,753,353	1,914,327
Investment in associates	(10b)	1,162,760	1,162,360
Property and equipment	(11)	82,604	91,026
Deferred charges	(12)	967	1,916
Total Non-Current Assets		17,689,301	19,480,046
TOTAL ASSETS		24,100,759	23,348,861
LIABILITIES AND EQUITY			
Current Liabilities			
Islamic borrowings – current portion	(13)	4,634,380	1,000,000
Accounts payable	(15)	338,596	381,410
Accrued expenses and others	(16)	768,306	733,739
Total Current Liabilities		5,741,282	2,115,149
Non-Current Liabilities			
Islamic borrowings	(13)	2,757,756	6,721,485
Provision for end-of-service indemnities	(17)	14,158	12,599
Total Non-Current Liabilities		2,771,914	6,734,084
Shareholders' Equity			
Share capital	(18)	10,800,000	10,800,000
Statutory reserve		716,768	607,768
Retained earnings		3,806,054	2,827,119
Equity attributable to Dar Al Arkan shareholders		15,322,822	14,234,887
Non-controlling interests from Group subsidiaries		264,741	264,741
Total Equity		15,587,563	14,499,628
TOTAL LIABILITIES AND EQUITY		24,100,759	23,348,861

Managing Director

Chief Financial Officer

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011	2010
		SR 000	SR 000
Revenues from operations		3,312,510	4,141,981
Cost of operations		(1,943,497)	(2,377,724)
Gross profit	(4)	1,369,013	1,764,257
Operating expenses:			
General, administrative, selling and marketing expenses		(90,844)	(106,452)
Depreciation	11	(8,510)	(14,260)
Amortisation of deferred charges	(12,13a)	(19,240)	(25,887)
Income for the year from operating activities		1,250,419	1,617,658
Other income / (expenses) :			
Share of income from investment in associates	(10b)	400	-
Islamic Murabaha charges		(63,026)	(59,890)
Islamic Sukuk charges		(149,783)	(154,421)
Other income		99,299	79,364
Income for the year before Zakat		1,137,309	1,482,711
Zakat provision		(49,374)	(27,000)
Net income for the year		1,087,935	1,455,711
Earnings per share for the year (in Saudi Riyal)	(19)		
From operating activities		1.16	1.50
From net income		1.01	1.35

Managing Director

Chief Financial Officer

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DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	SR 000	SR 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income for the year before zakat	1,137,309	1,482,711
Adjustment for:		
Depreciation	14,287	14,260
Amortisation of deferred charges	19,240	25,887
Provision for end-of-service indemnities	3,876	2,536
Share of income from investment in associates	(400)	-
Gain on disposal of property and equipment	(290)	-
Changes in operating assets and liabilities		
Accounts receivable	439,292	(821,088)
Prepaid expenses and others	6,169	(25,812)
Due from related parties	1,221	1,345
Projects in progress – short-term	120,191	492,771
Developed land	334,466	1,257,455
Accounts payable	(42,814)	(89,547)
Accrued expenses and others	(2,044)	71,603
Zakat paid	(12,763)	-
End-of- service indemnities paid	(2,317)	(1,975)
Net cash from operating activities	2,015,423	2,410,146
CASH FLOWS FROM INVESTING ACTIVITIES		
Projects in progress – long-term	801,884	(57,782)
Investments in land under development	(351,266)	(1,048,269)
Advance payments to purchase land	43,461	(297,773)
Investment properties	(844,803)	(396,910)
Purchase of property and equipment	(124)	(1,603)
Proceeds from disposal of property and equipment	326	-
Net cash used in investing activities	(350,522)	(1,802,337)
CASH FLOWS FROM FINANCING ACTIVITIES		
Islamic borrowings	(347,640)	(562,791)
Dividends	-	(1,080,000)
Net cash used in financing activities	(347,640)	(1,642,791)
Increase/(Decrease) in cash and cash equivalents	1,317,261	(1,034,982)
Cash and cash equivalents, beginning of the year	1,188,513	2,223,495
CASH AND CASH EQUIVALENTS, END OF THE YEAR	2,505,774	1,188,513

Managing Director

Chief Financial Officer

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Share Capital	Statutory Reserve	Retained Earnings	Equity attributable to Dar Al Arkan Shareholders
2010	SR 000	SR 000	SR 000	SR 000
Balance as at 1 January 2010	10,800,000	462,268	2,596,908	13,859,176
Dividends	-	-	(1,080,000)	(1,080,000)
Net income for the year	-	-	1,455,711	1,455,711
Transfer to statutory reserve	-	145,500	(145,500)	-
Balance as at 31 December 2010	10,800,000	607,768	2,827,119	14,234,887
2011				
Balance as at 1 January 2011	**10,800,000**	**607,768**	**2,827,119**	**14,234,887**
Net income for the year	**-**	**-**	**1,087,935**	**1,087,935**
Transfer to statutory reserve		**109,000**	**(109,000)**	**-**
Balance as at 31 December 2011	**10,800,000**	**716,768**	**3,806,054**	**15,322,822**

Managing Director

Chief Financial Officer

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

1. GENERAL INFORMATION:

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

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 25/7/1429 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.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

2.2 ACCOUNTING CONVENTION

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

2.3 BASIS OF CONSOLIDATION

The consolidated financial statements of the Group incorporate the financial statements of the companies and enterprises controlled by the Group (its subsidiaries) made up to 31 December 2011.

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 consolidated statement of income.

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

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

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

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

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

2.4 PROPERTY AND EQUIPMENT

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

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

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

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

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

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

2.5 INVESTMENT PROPERTIES

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

Buildings	3%

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

2.6 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 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 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 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 consolidated statement of income over the term of the instrument.

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

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

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

2.8 IMPAIRMENT OF TANGIBLE ASSETS

At the date of each 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 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.

2.10 ZAKAT TAXATION

Zakat is calculated and recognised in the 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 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 consolidated balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the 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 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 consolidated statement of income in the period in which they are incurred. Expenses that are deferred for more than one financial year are allocated to expenses over such periods using historical cost.

3. USE OF ESTIMATES

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

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

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

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

Information in respect of these products is presented below:

	For the year ended 2011 SR 000	2010 SR 000
REVENUES		
Sales of residential properties	77,346	376,681
Sales of land	3,220,167	3,765,300
Leasing of properties	14,997	-
Total	3,312,510	4,141,981
COST OF SALES		
Residential properties	64,470	330,289
Land	1,873,250	2,047,435
Leasing of properties	5,777	-
Total	1,943,497	2,377,724
GROSS PROFIT		
Residential properties	12,876	46,392
Land	1,346,917	1,717,865
Leasing of properties	9,220	-
Total	1,369,013	1,764,257

5. ACCOUNTS RECEIVABLE

	2011 SR 000	2010 SR 000
Customers	1,232,187	1,671,479
Provision for doubtful debtors	(4,479)	(4,479)
Total	1,227,708	1,667,000

6. PREPAID EXPENSES AND OTHERS

	2011 SR 000	2010 SR 000
Advance payments to purchase land	375,506	418,967
Positive value of commission SWAP contract	52,837	27,769
Accrued income	38,237	22,987
Advance payments to contractors	27,527	57,087
Prepaid expenses	6,171	11,879
Employees' advances and receivables	3,252	2,194
Advance payments to suppliers	3,195	5,323
Others	36	10,185
Total	506,761	556,391

7. RELATED PARTY TRANSACTIONS

During the year, 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:-

	For the year ended	
	2011	2010
	SR 000	SR 000
Balance, beginning of the year	1,364	2,709
Sales	35,120	51,546
Commission	(26)	(49)
Collection	(36,315)	(52,842)
Balance, end of the year	143	1,364

For the year ended 31 December 2011 and 2010, 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:

	2011	2010
	SR 000	SR 000
Residential and commercial development	64,469	184,660
Total	64,469	184,660

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:

	2011	2010
	SR 000	SR 000
Residential and commercial development	3,868,580	3,677,456
Land development projects	3,978,354	4,971,362
Total	7,846,934	8,648,818

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

During the year the Group's management capitalised Islamic Sukuk charges in the amount of SR 165.30 million (31 December 2010: 157.45 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. a) INVESTMENT PROPERTIES

	For the year ended	
	2011	**2010**
	SR 000	**SR 000**
COST		
At beginning of the year	**1,918,823**	1,521,913
Additions	**830,585**	373,888
Capitalisation of borrowing costs	**14,218**	23,022
At end of the year	**2,763,626**	1,918,823
ACCUMULATED DEPRECIATION		
At beginning of the year	**4,496**	3,746
Charge during the year	**5,777**	750
At end of the year	**10,273**	4,496
CARRYING AMOUNT AT THE END OF THE YEAR	**2,753,353**	1,914,327

Included within investment properties is land with an original cost of SR 378.1 million (31 December 2010: SR 378.1 million).

b) 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 34%. Movement in investment in associates is as follows:

	For the year ended	
	2011	**2010**
	SR 000	**SR 000**
Balance, beginning of the year	1,162,360	1,162,360
Share of income	400	-
Balance , end of the year	1,162,760	1,162,360

11. PROPERTY AND EQUIPMENT

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, 2011	109,145	19,037	9,990	13,390	39,074	190,636
Additions for the year	-	-	-	14	110	124
Disposals during the year	-	-	(740)	-	(96)	(836)
Balance at 31 December 2011	109,145	19,037	9,250	13,404	39,088	189,924
Accumulated Depreciation						
Balance at 1 January, 2011	27,042	18,070	9,904	11,152	33,442	99,610
Depreciation for the year	3,017	621	233	2,104	2,535	8,510
Transfers / Adjustments during the year	-	(121)	(357)	12	466	-
Disposals during the year	-	-	(740)	-	(60)	(800)
Balance at 31 December 2011	30,059	18,570	9,040	13,268	36,383	107,320
Net book value 31 December 2011	79,086	467	210	136	2,705	82,604
Net book value 31 December 2010	82,103	967	86	2,238	5,632	91,026

Included within land and buildings are land with an original cost of SR 9.50 million (31 December 2010: SR 9.50 million).

12. DEFERRED CHARGES

The movement during the year is as below:

	For the year ended 2011	2010
	SR 000	SR 000
Balance, beginning of the year	1,916	2,956
Amortisation charge for the year	(949)	(1040)
Balance , end of the year	967	1,916

13. ISLAMIC BORROWINGS

	2011	2010
	SR 000	SR 000
Islamic Sukuk – International	5,437,500	5,437,500
Islamic Sukuk – Local	750,000	750,000
Islamic Murabaha	1,260,003	1,625,202
	7,447,503	7,812,702
Less: Un-amortised transaction costs	(55,367)	(91,217)
Islamic borrowings – end of the year	7,392,136	7,721,485
Less: Islamic borrowings – current portion	(4,634,380)	(1,000,000)
Islamic borrowings - long-term	2,757,756	6,721,485

Repayable as follows:

	2011	2010
	SR 000	SR 000
Within one year	4,634,380	1,000,000
In the second year	187,143	4,182,793
In the third to fifth years inclusive	2,625,980	2,629,909
	7,447,503	7,812,702

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

	For the year ended	
	2011	2010
	SR 000	SR 000
Balance, beginning of the year	91,217	95,313
Additions during the year	2,589	46,480
Capitalisation during the year	(20,148)	(25,729)
Amortisation charge for the year	(18,291)	(24,847)
Balance, end of the year	55,367	91,217

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 31 December 2011.

Islamic Murabaha
This represents SR 1.8 billion 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 31 December 2011 an amount of SR 250 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 31 December 2011 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 31 December 2011 an amount of SR 142.86 million is outstanding towards this facility.

4) An amount of SR 500 million in the form of long-term Islamic Murabaha, which bears finance charges at prevailing rates between local banks plus an annual profit margin of 4%. The facility is being repaid in nine equal monthly payments. As at 31 December 2011 an amount of SR 111.11 million is outstanding towards this facility.

5) 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 31 December 2011 an amount of SR 100 million is outstanding against this facility.

6) 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 an annual profit margin of 2.25% and matures in 2012. As at 31 December 2011, the Group has utilised SR 386.1 million. This facility is collateralised by specific assets of a subsidiary.

The facility agreements include certain financial covenants, which the Group was in compliance with as at 31 December 2011 and there were no defaults or breaches of loan terms during the current or preceding years.

The annualised weighted average effective commission rate for the year ended 31 December 2011 is 4.92% (4.60% for 31 December 2010).

14. 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 SR 52.84 million (USD 14.10 million). The change in the fair value during the year amounting to SR 25.07 million (USD 6.68 million) has been recognised as other income in the consolidated statement of income. (SR 27.77 million (USD 7.40 million) for year ended 31 December 2010).

15. ACCOUNTS PAYABLE

The detail of the above account is as follows:

	2011	2010
	SR 000	SR 000
Contractors	267,985	330,809
Suppliers	55,370	49,609
Advances from customers	6,049	164
Others	9,192	828
Total	338,596	381,410

16. ACCRUED EXPENSES AND OTHERS

	2011	2010
	SR 000	SR 000
Zakat provision (c)	623,685	587,074
Islamic Murabaha charges	11,347	15,669
Islamic Sukuk charges	75,746	75,341
Accrued expenses	16,460	17,862
Dividend payable	36,441	36,782
Others	4,627	1,011
Total	768,306	733,739

Zakat provision

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

	2011	2010
	SR 000	SR 000
Zakat base:		
Share capital and statutory reserve – beginning of the year	11,672,509	11,527,009
Provisions – beginning of the year after deduction of amounts paid during the year	584,594	576,130
Adjusted net income for the year – Note 16/b	1,141,185	1,485,247
Retained earnings after dividends	2,827,119	1,516,908
Islamic Murabaha	241,607	954,750
Islamic Sukuk	2,528,717	4,500,000
Total Zakat base	18,995,731	20,560,044
Deductions:		
Total deduction after adjustment	(17,020,761)	(19,480,046)
Zakat base	1,974,970	1,079,998
Estimated Zakat provision for the year	49,374	27,000

b) Adjusted net income for the year:

	2011	2010
	SR 000	SR 000
Adjusted net income:		
Income for the year before Zakat	1,137,309	1,482,711
Provisions	3,876	2,536
Adjusted net income	1,141,185	1,485,247

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

	For the year ended 2011	2010
	SR 000	SR 000
Balance beginning of the year	587,074	560,074
Estimated Zakat for the current year	49,374	27,000
Payment made during the year	(12,763)	-
Estimated Zakat provision, end of the year	623,685	587,074

d) 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 is currently under process.

17. PROVISION FOR END OF SERVICE INDEMNITIES

This item represents the balance of provision for end of service indemnities as at 31 December 2011. During the year the Group's management charged an amount of SR 3.88 million (2010: SR 2.54 million) to expenses. The movement during the year is as below:

	For the year ended	
	2011	2010
	SR 000	SR 000
Balance, beginning of the year	12,599	12,038
Charged to expenses during the year	3,876	2,536
Paid during the year	(2,317)	(1,975)
Balance, end of the year	14,158	12,599

18. 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.

19. EARNINGS PER SHARE

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

	2011	2010
	SR 000	SR 000
Earnings		
For the purpose of basic earnings per share:		
Income for the year from operating activities	1,250,419	1,617,658
Net income for the year	1,087,935	1,455,711
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.

20. COMMITMENTS

As at 31 December 2011, 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 195 million (2010: SR 369 million).

21. COMPARATIVE FIGURES

Certain comparative figures for the year 2010 have been reclassified to conform to the presentation adopted in the current year.