DAR AL ARKAN

REAL ESTATE DEVELOPMENT COMPANY

SAUDI JOINT STOCK COMPANY

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

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FOR THE YEAR ENDED 31 DECEMBER 2012

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, 2012, 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, taken as a whole, present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2012, 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

26 Safar 1434 H.
08 January 2013 G.

Talal Abu-Ghazaleh & Co.

Abdulqadir A. Al-Wohaib
Certified Public Accountant
License No. 48

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012

	Notes	2012	2011
ASSETS		**SR 000**	**SR 000**
Current Assets			
Cash and cash equivalents		**535,771**	2,505,774
Accounts receivable, net	(5)	**1,492,749**	1,227,708
Prepaid expenses and others	(6)	**632,781**	506,761
Due from a related party	(7 a)	**143**	143
Projects in progress – short-term	(8 a)	**46,702**	64,469
Developed land – short-term		**844,332**	2,106,603
Total Current Assets		**3,552,478**	6,411,458
Non-Current Assets			
Projects in progress – long-term	(8 b)	**7,138,585**	7,846,934
Investments in land under development	(9)	**5,605,630**	5,082,926
Developed land – long-term		**2,124,441**	759,757
Investment properties, net	(10)	**2,737,060**	2,753,353
Investment in associates	(11)	**744,157**	1,162,760
Property and equipment, net	(12)	**77,674**	82,604
Deferred charges	(13)	**264**	967
Total Non-Current Assets		**18,427,811**	17,689,301
TOTAL ASSETS		**21,980,289**	24,100,759
LIABILITIES AND EQUITY			
Current Liabilities			
Islamic borrowings – current portion	(14)	**1,095,120**	4,634,380
Due to a related party	(7 b)	**198,101**	-
Accounts payable	(16)	**256,133**	338,596
Accrued expenses and others	(17)	**813,642**	768,306
Total Current Liabilities		**2,362,996**	5,741,282
Non-Current Liabilities			
Islamic borrowings	(14)	**3,289,359**	2,757,756
Provision for end-of-service indemnities	(18)	**16,575**	14,158
Total Non-Current Liabilities		**3,305,934**	2,771,914
Total liabilities		**5,668,930**	8,513,196
Shareholders' Equity			
Share capital	(19)	**10,800,000**	10,800,000
Statutory reserve		**816,768**	716,768
Retained earnings		**4,694,591**	3,806,054
Equity attributable to Dar Al Arkan shareholders		**16,311,359**	15,322,822
Non-controlling interests from Group subsidiaries		-	264,741
Total Equity		**16,311,359**	15,587,563
TOTAL LIABILITIES AND EQUITY		**21,980,289**	24,100,759

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 2012

	Notes	2012 SR 000	2011 SR 000
Revenues from operations		3,557,072	3,312,510
Cost of operations		(2,163,366)	(1,943,497)
Gross profit	(4)	1,393,706	1,369,013
Operating expenses:			
General, administrative, selling and marketing expenses		(153,898)	(90,844)
Depreciation	(10, 12)	(21,197)	(8,510)
Amortisation of deferred charges	(13, 14 a)	(34,184)	(19,240)
Income for the year from operating activities		1,184,427	1,250,419
Other Income / (expenses) :			
Share of income from investment in associates	(11)	850	400
Islamic Murabaha charges		(110,226)	(63,026)
Islamic Sukuk charges		(153,860)	(149,783)
Other income, net		92,776	99,299
Income for the year before Zakat		1,013,967	1,137,309
Zakat provision	(17 c)	(25,430)	(49,374)
Net income for the year		988,537	1,087,935
Earnings per share for the year (in Saudi Riyal)	(20)		
From operating activities		1.10	1.16
From net income		0.92	1.01

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 2012

	2012	2011
	SR 000	SR 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income for the year before zakat	1,013,967	1,137,309
Adjustment for:		
Depreciation	42,521	14,287
Amortisation of deferred charges	34,184	19,240
Provision for end-of-service indemnities	3,252	3,876
Share of income from investment in associates	(850)	(400)
Gain on disposal of property and equipment	-	(290)
Gain on disposal of investment in associates	(56,700)	-
Changes in operating assets and liabilities		
Accounts receivable	(265,041)	439,292
Prepaid expenses and others	61,744	6,169
Due from a related party	-	1,221
Projects in progress – short-term	17,767	120,191
Developed land	(102,413)	334,466
Accounts payable	(82,463)	(42,814)
Accrued expenses and others	24,952	(2,044)
Zakat paid	(5,046)	(12,763)
End-of-service indemnities paid	(835)	(2,317)
Net cash from operating activities	685,039	2,015,423
CASH FLOWS FROM INVESTING ACTIVITIES		
Projects in progress – long-term	108,765	801,884
Investments in land under development	(522,704)	(351,266)
Advance payments to purchase land	(187,764)	43,461
Investment properties	(20,843)	(844,803)
Proceeds from disposal of investment in associates	1,001,700	-
Purchase of property and equipment	(455)	(124)
Proceeds from disposal of property and equipment	-	326
Net cash from/(used in) investing activities	378,699	(350,522)
CASH FLOWS FROM FINANCING ACTIVITIES		
Islamic borrowings	(3,041,138)	(347,640)
Due to a related party	7,397	-
Net cash used in financing activities	(3,033,741)	(347,640)
(Decrease)/Increase in cash and cash equivalents	(1,970,003)	1,317,261
Cash and cash equivalents, beginning of the year	2,505,774	1,188,513
CASH AND CASH EQUIVALENTS, END OF THE YEAR	535,771	2,505,774
Non-cash transactions related to deconsolidation of a subsidiary		
Projects under progress-long-term	599,584	-
Investment in associates	(525,547)	-
Non-controlling Interests	(264,741)	-
Due to a related party	190,704	-

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 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 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
2012				
Balance as at 1 January 2012	**10,800,000**	**716,768**	**3,806,054**	**15,322,822**
Net income for the year	**-**		**988,537**	**988,537**
Transfer to statutory reserve	**-**	**100,000**	**(100,000)**	**-**
Balance as at 31 December 2012	**10,800,000**	**816,768**	**4,694,591**	**16,311,359**

Managing Director

Amr Raky

Chief Financial Officer

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

1. GENERAL INFORMATION:

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

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

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

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

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

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

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

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

THAWABIT INVESTMENT – 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 consolidated financial statements include the assets, liabilities and the results of operations of the subsidiaries mentioned above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

2.2 ACCOUNTING CONVENTION

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

2.3 BASIS OF CONSOLIDATION

The consolidated financial statements of the Group incorporate the financial statements of the companies and enterprises controlled by the Group (its subsidiaries) made up to 31 December 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 fair value of the assets acquired/transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are initially measured at the fair value at the acquisition date irrespective of the extent of any non-controlling interests. The interests of non-controlling shareholders are stated at the non-controlling proportion of the assets and liabilities recognised. Subsequently, any losses applicable to the non-controlling interests in excess of the non-controlling interests are allocated against the interests of the parent.

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

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

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

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

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

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

2.4 PROPERTY AND EQUIPMENT

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

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

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

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

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

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

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

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

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

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

2.11 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 to Saudi Riyals at the rates prevailing on the consolidated balance sheet date. Non-monetary assets and liabilities that are denominated in foreign currencies are translated to Saudi Riyals at the rates prevailing at the date when the cost was determined.

2.12 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 ("Sale of land") and the development of residential and commercial projects for Sale ("Sale of residential properties") or leasing such developed properties to generate rental revenue ("Lease income").

Information in respect of these products is presented below:

	For the year ended 31 December 2012	2011
	SR 000	SR 000
REVENUES		
Sale of residential properties	**25,293**	77,346
Sale of land	**3,478,997**	3,220,167
Leasing of properties	**52,782**	14,997
Total	**3,557,072**	3,312,510
COST OF OPERATIONS		
Residential properties	**21,026**	64,470
Land	**2,121,016**	1,873,250
Leasing of properties	**21,324**	5,777
Total	**2,163,366**	1,943,497
GROSS PROFIT		
Residential properties	**4,266**	12,876
Land	**1,357,981**	1,346,917
Leasing of properties	**31,459**	9,220
Total	**1,393,706**	1,369,013

5. ACCOUNTS RECEIVABLE, NET

	2012	2011
	SR 000	SR 000
Customers	**1,497,228**	1,232,187
Provision for doubtful debtors	**(4,479)**	(4,479)
Total	**1,492,749**	1,227,708

6. PREPAID EXPENSES AND OTHERS

	2012	2011
	SR 000	SR 000
Advance payments to purchase land	**563,270**	375,506
Accrued income	**16,589**	38,237
Advance payments to contractors	**14,242**	27,527
Advance payments to suppliers	**13,419**	3,195
Prepaid expenses and other assets	**11,123**	6,171
Positive value of commission rate SWAP (Note 15)	**10,032**	52,837
Employees' advances and receivables	**4,070**	3,252
Others	**36**	36
Total	**632,781**	506,761

7. RELATED PARTY TRANSACTIONS

a) Due from a related party

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 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:

	For the year ended 31 December	
	2012	**2011**
	SR 000	**SR 000**
Balance, beginning of the year	**143**	1,364
Sales	**11,054**	35,120
Commission	**(13)**	(26)
Collections	**(11,041)**	(36,315)
Balance, end of the year	**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:

	For the year ended 31 December	
	2012	**2011**
	SR 000	**SR 000**
Balance transferred as on 1 April 2012	**205,425**	-
Expenses/assets	**(84)**	-
Repayment of advances	**(8,710)**	-
Profit charged	**1,470**	-
Balance, end of the year	**198,101**	-

For the year ended 31 December 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:

	2012	**2011**
	SR 000	**SR 000**
Residential and commercial development	**46,702**	64,469
Total	**46,702**	64,469

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:

	2012	2011
	SR 000	SR 000
Residential and commercial development	**3,214,085**	3,868,580
Land development projects	**3,924,500**	3,978,354
Total	**7,138,585**	7,846,934

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 141.90 million (31 December 2011: 165.30 million) under projects in progress.

Starting 1 April 2012, the projects in progress recorded for Khozam project has been deconsolidated from these financial statements (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

	For the year ended 31 December	
	2012	2011
	SR 000	SR 000
COST		
At beginning of the year	**2,763,626**	1,918,823
Additions	**15,575**	830,585
Capitalisation of borrowing costs	**5,268**	14,218
At end of the year	**2,784,469**	2,763,626
ACCUMULATED DEPRECIATION		
At beginning of the year	**10,273**	4,496
Charged during the year	**37,136**	5,777
At end of the year	**47,409**	10,273
CARRYING AMOUNT AT THE END OF THE YEAR	**2,737,060**	2,753,353

Included within investment properties is land with an original cost of SR 378.1 million (31 December 2011: 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%. The Group had 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 bestowed with Jeddah Development and Urban Regeneration Company, the assets and liabilities of KDC have been deconsolidated from the Group's financial statements and accounted for as investment in associates under equity method of accounting. Movement in investment in associates is as follows:

	For the year ended 31 December	
	2012	**2011**
	SR 000	**SR 000**
Balance, beginning of the year	**1,162,760**	1,162,360
Transfer on deconsolidation	**525,547**	-
Sold during the year	**(945,000)**	-
Share of income	**850**	400
Balance , end of the year	**744,157**	1,162,760

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	**(3,390)**	
Balance, end of the year	**744,157**	

Details of transactions with associates are disclosed under Note 7 "Related Party Transactions" of these 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 2012	**109,145**	**19,037**	**9,250**	**13,404**	**39,088**	**189,924**
Additions for the year	**-**	**-**	**-**	**132**	**323**	**455**
Balance at 31 December 2012	**109,145**	**19,037**	**9,250**	**13,536**	**39,411**	**190,379**
Accumulated Depreciation						
Balance at 1 January 2012	**30,059**	**18,570**	**9,040**	**13,268**	**36,383**	**107,320**
Depreciation for the year	**3,016**	**296**	**144**	**136**	**1,793**	**5,385**
Balance at 31 December 2012	**33,075**	**18,866**	**9,184**	**13,404**	**38,176**	**112,705**
Net book value 31 December 2012	**76,070**	**171**	**66**	**132**	**1,235**	**77,674**
Net book value 31 December 2011	79,086	467	210	136	2,705	82,604

Included within land and buildings are land with an original cost of SR 9.50 million (31 December 2011: SR 9.50 million).

13. DEFERRED CHARGES

The movement during the year is as below:

	For the year ended 31 December 2012 SR 000	2011 SR 000
Balance, beginning of the year	**967**	1,916
Amortisation charge for the year	**(703)**	(949)
Balance , end of the year	**264**	967

14. ISLAMIC BORROWINGS

	2012	2011
	SR 000	SR 000
Islamic Sukuk – International	**1,687,500**	5,437,500
Islamic Sukuk – Local	**750,000**	750,000
Islamic Murabaha	**2,002,941**	1,260,003
	4,440,441	7,447,503
Less: Un-amortised transaction costs	**(55,962)**	(55,367)
Islamic borrowings – end of the year	**4,384,479**	7,392,136
Less: Islamic borrowings – current portion	**(1,095,120)**	(4,634,380)
Islamic borrowings - long-term	**3,289,359**	2,757,756

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

	For the year ended 31 December	
	2012	2011
	SR 000	SR 000
Balance, beginning of the year	**55,367**	91,217
Additions during the year	**46,742**	2,589
Capitalisation during the year	**(12,666)**	(20,148)
Amortisation charge for the year	**(33,481)**	(18,291)
Balance, end of the year	**55,962**	55,367

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).

On the due date of 16 July 2012 the Group has repaid SR 3.75 billion (USD 1 billion) of Islamic Sukuk carried in the books of the Group.

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 December 2012.

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 5 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	542,500	542,500	-
2014	253,214	167,143	86,071
2015	1,127,227	377,727	749,500
2016	80,000	20,000	60,000
	2,002,941	**1,107,370**	**895,571**

The facility agreements include certain financial covenants, which the Group was in compliance with as at 31 December 2012.

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. During the year, the group have 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 positive fair value of this agreement which does not qualify for hedge accounting in accordance with generally accepted accounting standards amounted to SR 10.03 million (USD2.67 million) (31 December 2011: SR 52.84 million (USD 14.10 million). The change in the fair value during the year amounting to SR 42.81 million (USD11.42 million) has been recognised as other expenses in the consolidated statement of income (SR 25.07 million (USD 6.68 million) for the year ended 31 December 2011).

16. ACCOUNTS PAYABLE

	2012	2011
	SR 000	SR 000
Contractors	**201,925**	267,985
Suppliers	**39,431**	55,370
Advances from customers	**3,305**	6,049
Others	**11,472**	9,192
Total	**256,133**	338,596

17. ACCRUED EXPENSES AND OTHERS

	2012	2011
	SR 000	SR 000
Zakat provision (c)	**644,069**	623,685
Islamic Murabaha charges	**29,526**	11,347
Islamic Sukuk charges	**74,134**	75,746
Accrued expenses	**23,340**	16,460
Dividend payable	**36,027**	36,441
Others	**6,546**	4,627
Total	**813,642**	768,306

Zakat provision

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

	2012	2011
	SR 000	SR 000
Zakat base:		
Share capital and statutory reserve – beginning of the year	**11,516,768**	11,672,509
Provisions – beginning of the year after deduction of amounts paid during the year	**618,639**	584,594
Adjusted net income for the year – Note 17/b	**1,017,219**	1,141,185
Retained earnings after dividends	**3,806,054**	2,827,119
Islamic Murabaha	**895,571**	241,607
Islamic Sukuk	**2,381,538**	2,528,717
Total Zakat base	**20,235,789**	18,995,731
Deductions:		
Total deduction after adjustment	**(19,835,413)**	(17,020,761)
Zakat base	**400,376**	1,974,970
Estimated Zakat provision for the year	**25,430**	49,374

b) Adjusted net income for the year:

	2012	2011
	SR 000	SR 000
Adjusted net income:		
Income for the year before Zakat	**1,013,967**	1,137,309
Provisions	**3,252**	3,876
Adjusted net income	**1,017,219**	1,141,185

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

	For the year ended 31 December	
	2012	**2011**
	SR 000	**SR 000**
Balance beginning of the year	**623,685**	587,074
Estimated Zakat for the current year	**25,430**	49,374
Payment made during the year	**(5,046)**	(12,763)
Estimated Zakat provision, end of the year	**644,069**	623,685

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 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 and the movement during the year is as below:

	For the year ended 31 December	
	2012	**2011**
	SR 000	**SR 000**
Balance, beginning of the year	**14,158**	12,599
Charged to expenses during the year	**3,252**	3,876
Paid during the year	**(835)**	(2,317)
Balance, end of the year	**16,575**	14,158

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:

	2012	**2011**
	SR 000	**SR 000**
Earnings		
For the purpose of basic earnings per share:		
Income for the year from operating activities	**1,184,427**	1,250,419
Net income for the year	**988,537**	1,087,935
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 December 2012, the Group has commitments which represent the value of the part not yet executed from the projects development contracts amounting to SR 107 million (2011: SR 195 million).