DAR AL ARKAN

REAL ESTATE DEVELOPMENT COMPANY

SAUDI JOINT STOCK COMPANY

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

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FOR THE YEAR ENDED 31 DECEMBER 2015

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AlKharashi & Co.
Certified Accountants And Auditors
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Registration No. (536)
Correspondent of MAZARS

Mohammad A.Al-Haij
Certified Public Accountants
Licence No : 119
Independent Member of CPA Associates International

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") and its subsidiaries (collectively referred to as the "Group") as at December 31, 2015, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and notes 1 to 20 which form an integral part of these consolidated financial statements as prepared by the Group 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 Group'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 standards 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 Group as at December 31, 2015, and the 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 Group, 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.

For Al-Kharashi Co.		Mohammad A. Al-Haij
Suliman Al-Kharashi	Rabi Al-Thani 4, 1437H	Certified Public Accountant
License No. (91)	January 14, 2016	License No. (119)

الخراشي وشركاه محاسبون ومراجعون قانونيون ترخيص: ٥٣٦

محمد عبدالله الهيج محاسب قانوني ترخيص رقم ١١٩

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2015

	Notes	2015 SR 000	2014 SR 000
ASSETS			
Current Assets			
Cash and cash equivalents		**1,001,061**	1,135,196
Short term deposit with banks		-	1,175,000
Accounts receivable, net	(5)	**1,948,687**	1,747,778
Prepaid expenses and others	(6)	**974,809**	816,697
Due from a related party	(7 a)	-	143
Developed land – short-term		**437,185**	794,145
Total Current Assets		**4,361,742**	5,668,959
Non-Current Assets			
Projects in progress – long-term	(8)	**8,651,076**	8,916,056
Investments in land under development	(9)	**5,982,401**	5,445,630
Developed land – long-term		**1,963,764**	1,949,764
Investment properties, net	(10)	**3,501,637**	3,567,451
Investment in associates	(11)	**776,207**	763,407
Property and equipment, net	(12)	**68,416**	71,279
Total Non-Current Assets		**20,943,501**	20,713,587
TOTAL ASSETS		**25,305,243**	26, 382,546
LIABILITIES AND EQUITY			
Current Liabilities			
Islamic borrowings – current portion	(13)	**1,531,945**	2,148,064
Due to a related party	(7 b)	**194,253**	195,612
Accounts payable	(14)	**173,433**	167,680
Accrued expenses and others	(15)	**697,349**	826,566
Total Current Liabilities		**2,596,980**	3,337,922
Non-Current Liabilities			
Islamic borrowings	(13)	**4,760,617**	5,458,564
Provision for end-of-service indemnities	(16)	**20,973**	18,544
Total Non-Current Liabilities		**4,781,590**	5,477,108
Total liabilities		**7,378,570**	8,815,030
Shareholders' Equity			
Share capital	(17)	**10,800,000**	10,800,000
Statutory reserve		**978,300**	942,384
Retained earnings		**6,148,373**	5,825,132
Total Shareholders' Equity		**17,926,673**	17,567,516
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**25,305,243**	26,382,546

Managing Director

Chief Financial Officer

محاسبون و مراجعون قانونيون
ترخيص : ٥٣٦ Lic : 536

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 2015

	Notes	2015 SR 000	2014 SR 000
Revenues from operations		**2,211,349**	3,056,060
Cost of operations		**(1,228,117)**	(1,756,805)
Gross profit	(4)	**983,232**	1,299,255
Operating expenses:			
General, administrative, selling and marketing expenses		**(204,238)**	(237,453)
Depreciation	(12)	**(3,593)**	(3,691)
Amortisation of deferred charges	(13 a)	**(35,993)**	(38,197)
Income for the year from operating activities		**739,408**	1,019,914
Other Income / (expenses) :			
Share of income from investment in associates	(11)	**12,800**	16,000
Islamic Murabaha charges		**(105,353)**	(111,282)
Islamic Sukuk charges		**(279,448)**	(382,012)
Other income, net		**1,075**	46,895
Income for the year before Zakat		**368,482**	589,515
Zakat provision		**(9,325)**	(14,820)
Net income for the year		**359,157**	574,695
Earnings per share for the year (in Saudi Riyal)	(18)		
From operating activities		**0.68**	0.94
From net income		**0.33**	0.53

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 CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 SR 000	2014 SR 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income for the year before Zakat	**368,482**	589,515
Adjustment for:		
Depreciation	**72,818**	56,492
Amortisation of deferred charges	**35,993**	38,197
Provision for end-of-service indemnities	**4,537**	2,707
Provision for doubtful debts	**3,804**	9,736
Gain on disposal of property and equipment	**(142)**	(30)
Share of income from investment in associates	**(12,800)**	(16,000)
Changes in operating assets and liabilities		
Accounts receivable	**(204,713)**	(393,217)
Prepaid expenses and others	**15,077**	29,542
Due from a related party	**143**	-
Projects in progress – short-term	**-**	5,350
Developed land	**342,960**	119,815
Accounts payable	**5,753**	(99,418)
Accrued expenses and others	**(80,639)**	2,234
Cash generated from operations	**551,273**	344,923
Zakat paid	**(57,903)**	(10,730)
End-of-service indemnities paid	**(2,108)**	(1,511)
Net cash generated from operating activities	**491,262**	332,682
CASH FLOWS FROM INVESTING ACTIVITIES		
Projects in progress – long-term	**264,980**	(135,599)
Investments in land under development	**(536,771)**	(581,328)
Advance payments to purchase land	**(173,189)**	(362,038)
Investment properties	**(3,411)**	(886,435)
Proceeds from disposal of property and equipment	**142**	30
Purchase of property and equipment	**(730)**	(600)
Net cash used in investing activities	**(448,979)**	(1,965,970)
CASH FLOWS FROM FINANCING ACTIVITIES		
Islamic borrowings	**(1,350,059)**	1,664,986
Short term deposit with banks	**1,175,000**	(1,175,000)
Due to a related party	**(1,359)**	(634)
Net cash (used in) /generated from financing activities	**(176,418)**	489,352
(Decrease) in cash and cash equivalents	**(134,135)**	(1,143,936)
Cash and cash equivalents, beginning of the year	**1,135,196**	2,279,132
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**1,001,061**	1,135,196

Non-cash transactions related to transfer of investment property (Note 10)

Transfer of projects under progress-short-term to investment properties	**39,179**

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 2015

	Share Capital	Statutory Reserve	Retained Earnings	Total Shareholders' Equity
2014	**SR 000**	**SR 000**	**SR 000**	**SR 000**
Balance as at 1 January 2014	10,800,000	884,914	5,307,907	16,992,821
Net income for the year	-	-	574,695	574,695
Transfer to statutory reserve	-	57,470	(57,470)	-
Balance as at 31 December 2014	10,800,000	942,384	5,825,132	17,567,516
2015				
Balance as at 1 January 2015	**10,800,000**	**942,384**	**5,825,132**	**17,567,516**
Net income for the year	**-**	**-**	**359,157**	**359,157**
Transfer to statutory reserve	**-**	**35,916**	**(35,916)**	**-**
Balance as at 31 December 2015	**10,800,000**	**978,300**	**6,148,373**	**17,926,673**

Managing Director

Chief Financial Officer

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

Lic : 536

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 COMPANY– 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.

DAR SUKUK INTERNATIONAL COMPANY – is a limited liability company, formerly known as Siyada Investment Company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No: 1010275448, dated 30/10/1430H (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 and held for trading investments 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 2015.

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 REAL ESTATE ASSETS

Real estate assets principally comprise of projects in progress and developed land short term held for sale and long term projects in progress, long term developed land and investment in land under development, including property projects under construction, land projects under development and land waiting for development.

All real estate assets are accounted for at the lower of cost and net realisable value. Cost comprises direct material cost, direct labour costs, borrowing costs and those overheads that have been incurred in bringing the development properties to their present location and condition. Cost is calculated using the average method. Net realisable value represents the estimated selling price less all estimated costs to completion and selling costs to be incurred.

The operating cycle of development properties is such that the majority of the real estate properties will not be realised within 12 months. These have been split between current and non-current properties.

2.6 INVESTMENT PROPERTIES

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

Buildings	3%

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

2.7 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 year in which they are incurred.

2.8 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.

Held for trading investments
Held for trading investments are recognised initially at fair value; transaction costs are taken directly to the consolidated statement of income and thereafter stated at fair value by reference to exchange quoted market bid prices at the close of business on the consolidated balance sheet date. The unrealized and realized gains and losses from sale of held for trading investments are recorded in the consolidated statement of income.

Financial liabilities
Financial liabilities 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.

2.9 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.

2.10 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.

2.11 ZAKAT

Zakat is calculated and recognised in the consolidated statement of income for the year and for each financial year 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.

2.12 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.

2.13 STATUTORY RESERVE

According to the article (125) 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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 year 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 year. 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	
	2015	2014
	SR 000	SR 000
REVENUES FROM OPERATIONS		
Sale of residential properties	-	8,000
Sale of land	2,075,265	2,923,431
Leasing of properties	136,084	124,629
Total	2,211,349	3,056,060
COST OF OPERATIONS		
Residential properties	-	5,240
Land	1,158,892	1,694,764
Leasing of properties	69,225	56,801
Total	1,228,117	1,756,805
GROSS PROFIT		
Residential properties	-	2,760
Land	916,373	1,228,667
Leasing of properties	66,859	67,828
Total	983,232	1,299,255

5. ACCOUNTS RECEIVABLE, NET

	2015	2014
	SR 000	SR 000
Customers	1,966,706	1,761,993
Provision for doubtful debts	(18,019)	(14,215)
Total	1,948,687	1,747,778

Accounts receivable includes about 97% (31 December 2014: 95%) receivables against land sales which are fully secured against such land parcels.

6. PREPAID EXPENSES AND OTHERS

	2015	2014
	SR 000	SR 000
Advance payments to purchase land	944,627	771,438
Prepaid expenses and other assets	11,290	21,713
Advance payments to contractors	9,432	12,003
Employees' advances and receivables	5,944	5,865
Advance payments to suppliers	2,676	2,461
Short term investment- trading (note 6a)	804	3,181
Others	36	36
Total	974,809	816,697

a) Short term investment – Trading

The group has an investment, classified as held for trading, through portfolio management account with a leading Saudi Asset Management broking institution ("fund manager') and as per the portfolio management agreement the fund manager is allowed to trade in debt and equity securities on behalf of the Group. The transaction during the year is detailed below:

	For the year ended 31 December	
	2015	2014
	SR 000	SR 000
Balance, beginning of the year	3,181	-
Additions (purchase/sold)	3,556	2,360
	6,737	2,360
Realised gains	330	2,462
Commissions	-	(141)
	7,067	4,681
Transfer/withdrawals	(6,263)	(1,500)
Balance, end of the year	804	3,181

Investment includes SR nil as at 31 December 2015 (31 December 2014 SR 3.2 million) representing cash deposit held with the fund manager. The funds are expected to be invested in the subsequent years.

7. RELATED PARTY TRANSACTIONS

The significant transactions and balances with related parties are as follows:

a) Due from a related party

The details of the transactions with Saudi Home Loans are as follows:

	For the year ended 31 December	
	2015	2014
	SR 000	SR 000
Balance, beginning of the year	143	143
Expenses incurred	-	50
Collections/adjustments	(143)	(50)
Balance, end of the year	-	143

b) Due to a related party

Management of Khozam Real Estate Development Company (KDC), which is an associate of the Group, 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	
	2015	2014
	SR 000	SR 000
Balance, beginning of the year	195,612	196,246
Repayment of advances	(2,319)	(1,854)
Profit charged	960	1,220
Balance, end of the year	194,253	195,612

c) Other related party transactions

(i) Bank Alkhair B.S.C

The Group engaged Bank Alkhair B.S.C, a non-associate entity, to provide general financial advisory, Shariah' compliance advises and management support for the recent international Sukuk. The details of the transactions, included in accounts payable (refer to note: 14), are as follows:

	For the year ended 31 December	
	2015	2014
	SR 000	SR 000
Balance, beginning of the year	115	1,296
Amount paid during the year	-	(1,181)
Balance, end of the year	115	115

(ii) Alkhair Capital Saudi Arabia

The Group engaged Alkhair Capital Saudi Arabia, an associate entity, to provide general financial advisory, representing and filing the documents on behalf of the Group for requirements with CMA and other statutory bodies, Shariah' compliance reviews and management support for the recent international sukuk issuances and the partial pre-closure of sukuk III and subleasing of investors properties. The details of the transactions are as follows:

	For the year ended 31 December	
	2015	**2014**
	SR 000	**SR 000**
Fees, lease rentals charged during the year	-	4,000
Amount paid during the year	-	(4,000)
Balance, end of the year	-	-

For the year ended 31 December 2015 and 2014, no other transactions were entered with entities that have common Board Members or Shareholders to the Group.

8. PROJECTS IN PROGRESS

Projects in progress- long-term:

	2015	**2014**
	SR 000	**SR 000**
Projects in progress	**8,651,076**	8,916,056
Total	**8,651,076**	8,916,0S6

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 nil (31 December 2014: 33.32 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. The amount includes SR 364.5 million (31 December 2014: SR 364.5 million) as advance paid against new project.

10. INVESTMENT PROPERTIES, NET

	For the year ended 31 December	
	2015	2014
	SR 000	SR 000
COST		
At beginning of the year	**3,714,149**	2,788,535
Transfers	**-**	39,179
Additions	**3,411**	886,435
At end of the year	**3,717,560**	3,714,149
ACCUMULATED DEPRECIATION		
At beginning of the year	**146,698**	93,897
Charged during the year	**69,225**	52,801
At end of the year	**215,923**	146,698
CARRYING AMOUNT AT THE END OF THE YEAR	**3,501,637**	3,567,451

Included within investment properties is land with an original cost of SR 578.1 million (31 December 2014: SR 578.1 million).

11. INVESTMENT IN ASSOCIATES

This represents investment in shares of the companies that are not publicly traded. The Group's ownership in these companies ranges from 15% to 51%. Movement in investment in associates is as follows:

	For the year ended 31 December	
	2015	2014
	SR 000	SR 000
Balance, beginning of the year	**763,407**	747,407
Share of income	**12,800**	16,000
Balance, end of the year	776,207	763,407

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

Name of the entity	Amount invested SR 000	% of Holding
Saudi Home Loans	120,000	15%
Alkhair Capital Saudi Arabia	102,000	34%
Khozam Real Estate Development Company (i)	525,547	51%
Accumulated share of profit, net	28,660	
Balance, end of the year	776,207	

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

(i) The Group had invested 51% in Khozam Real Estate Development Company (KDC), with Jeddah Development and Urban Regeneration Company (JDURC). As per the arrangements the power to govern the financial and operating activities which affect the returns of KDC is jointly bestowed with the shareholders, accordingly the Group does not have any right to variable returns or absolute power to control with the ability to affect the returns of the investee company, consequently the Group's investment in KDC is accounted for as investment in associates under equity method of accounting.

(i) The KDC investment include SR 250 million as an exclusive right to participate in Khozam project development and SR 276 million as capital contribution fully paid in cash. The other shareholder (JDURC) contributed SR 265 million worth of land as capital contribution. The management believes that the there is no diminishing in the value of the total investment.

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 2015	**109,145**	**19,037**	**9,136**	**13,536**	**40,718**	**191,572**
Additions for the year	**-**	**-**	**-**	**2**	**728**	**730**
Disposal for the year	**-**	**-**	**(689)**	**(29)**	**-**	**(718)**
Balance at 31 December 2015	**109,145**	**19,037**	**8,447**	**13,509**	**41,446**	**191,584**
Accumulated Depreciation						
Balance at 1 January 2015	**39,107**	**19,033**	**9,134**	**13,479**	**39,540**	**120,293**
Depreciation for the Year	**3016**	**4**	**-**	**30**	**543**	**3,593**
Disposal for the year	**-**	**-**	**(689)**	**(29)**	**-**	**(718)**
Balance at 31 December 2015	**42,123**	**19,037**	**8,445**	**13,480**	**40,083**	**123,168**
Net book value 31 December 2015	**67,022**	**-**	**2**	**29**	**1,363**	**68,416**
Net book value 31 December 2014	70,038	4	2	57	1,178	71,279

Included within land and buildings are land with an original cost of SR 9.50 million (31 December 2014: SR 9.50 million).

13. ISLAMIC BORROWINGS

	2015	2014
	SR 000	SR 000
Islamic Sukuk	4,312,500	5,835,638
Islamic Murabaha	2,077,435	1,878,780
	6,389,935	7,714,418
Less: Un-amortised transaction costs	(97,373)	(107,790)
Islamic borrowings – end of the year	6,292,562	7,606,628
Less: Islamic borrowings – current portion	(1,531,945)	(2,148,064)
Islamic borrowings - long-term	4,760,617	5,458,564

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

	For the year ended 31 December	
	2015	2014
	SR 000	SR 000
Balance, beginning of the year	107,790	85,744
Additions during the year	25,576	61,764
Capitalisation during the year	-	(1,653)
Amortisation charge for the year	(35,993)	(38,065)
Balance, end of the year	97,373	107,790

Analysis of borrowings:

Islamic Sukuk

This represents SR 4.3 billion of Islamic Sukuk comprising:

1) SR 1.69 billion (USD 450 million) of Islamic Sukuk carried in the books of the Group, issued by Dar Al-Arkan Sukuk Company Ltd. at 5.75% and maturing in 2018.

2) SR 1.12 billion (USD 300 million) of Islamic Sukuk carried in the books of the Group, issued by Dar Al-Arkan Sukuk Company Ltd. at 5.75% and maturing in 2016.

3) SR 1.50 billion (USD 400 million) of Islamic Sukuk carried in the books of the Group, issued by Dar Al-Arkan Sukuk Company Ltd. at 6.5% and maturing in 2019.

Islamic Sukuks listed above are denoted in US dollars. Since the Saudi Arabian Riyal is limited to fluctuations in the US Dollar there is no exposure to foreign exchange risk. The investment profit is payable to the Saudi SPV, through which the Sukuk was issued, by the sale of properties owned by the Group. The beneficiary rights of these properties are with Dar Al Arkan Real Estate Development Company and its subsidiaries with the rights to buy back the ownership of these properties upon the full repayment of the Sukuk. The Group has issued a corporate guarantee to the Sukuk holders.

The Sukuk agreements include financial covenants, which the Group was in compliance with as at 31 December 2015.

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 12 years with various repayment schedules like annual roll revolvers, bullet payments and installment repayments ranging from quarterly and half yearly as detailed below.

Summary of the Murabahas:

Maturity date	Outstanding Balance SR 000	Short-term SR 000	Long-term SR 000
2016	172,085	172,085	-
2017	130,000	97,500	32,500
2020	1,312,500	118,125	1,194,375
2023	162,850	16,200	146,650
2027	300,000	14,000	286,000
TOTAL	2,077,435	417,910	1,659,525

The facility agreements include certain financial covenants, which the Group was in compliance with as at 31 December 2015.

14. ACCOUNTS PAYABLE

	2015 SR 000	2014 SR 000
Contractors	153,315	146,075
Suppliers (a)	13,751	14,020
Advances from customers	6,095	7,283
Others	272	302
Total	173,433	167,680

(a) Suppliers include SR 115K, balance due to a related party (refer Note 7c (i)).

15. ACCRUED EXPENSES AND OTHERS

	2015	2014
	SR 000	SR 000
Zakat provision (a)	**555,757**	604,335
Unearned revenue	**38,833**	67,394
Dividend payable	**35,358**	35,397
Islamic Sukuk charges	**24,383**	83,007
Accrued expenses	**23,046**	15,912
Islamic Murabaha charges	**19,972**	20,521
Total	**697,349**	826,566

Zakat provision

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

	2015	2014
	SR 000	SR 000
Zakat base:		
Share capital and statutory reserve – beginning of the year	**11,742,384**	11,684,914
Provisions – beginning of the year after deduction of amounts paid during the year	**546,432**	589,515
Adjusted net income for the year – Note 17/b	**373,019**	592,222
Retained earnings after dividends	**5,825,132**	5,307,907
Islamic Murabaha	**172,085**	451,394
Islamic Sukuk	4,312,500	2,812,500
Total Zakat base	**22,971,552**	21,438,452
Deductions:		
Total deduction after adjustment	**(22,622,706)**	(22,279,170)
Zakat base	**348,846**	(840,718)
Estimated Zakat provision for the year	**9,325**	14,820

b) Adjusted net income for the year:

	2015	2014
	SR 000	SR 000
Adjusted net income:		
Income for the year before Zakat	**368,482**	589,515
Provisions	**4,537**	2,707
Adjusted net income	**373,019**	592,222

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

	For the year ended 31 December	
	2015	2014
	SR 000	SR 000
Balance beginning of the year	**604,335**	600,245
Estimated Zakat for the year	**9,325**	14,820
Paid during the year	**(57,903)**	(10,730)
Estimated Zakat provision, end of the year	**555,757**	604,335

d) The Company has received the assessments from DZIT for the years 2003 to 2009. The Company has not received DZIT assessment for year 2010 and 2011. The filing of the consolidated zakat return for years 2012, 2013 and 2014 are currently under process.

16. 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	
	2015	2014
	SR 000	SR 000
Balance, beginning of the year	**18,544**	17,348
Charged to expenses during the year	**4,537**	2,707
Paid during the year	**(2,108)**	(1,511)
Balance, end of the year	**20,973**	18,544

17. 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.

18. EARNINGS PER SHARE

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

	For the year ended 31 December	
	2015	2014
	SR 000	SR 000
Earnings		
For the purpose of basic earnings per share:		
Income for the year from operating activities	739,408	1,019,914
Net income for the year	359,157	574,695
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.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of bank balances and cash, due from related parties and trade and other receivables. Financial liabilities consist of trade accounts payable, accruals, due to a related party and Islamic borrowings.

Credit Risk

Credit risk is the risk of financial loss to the Group if counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's bank balances, due from related parties and trade and other receivables.

Cash balances are deposited with a number of major high-credit rated financial institutions and has a policy of limiting its balances deposited with each institution.

Trade and other receivables are subject to "No Credit" terms, but in some cases there are enhanced payment schedules or staggered payment request by selected customers which have been accommodated. In such cases the Group has an exposure of credit risk with respect to the amount due from those customers. However, in such cases the Group holds back the final delivery or possession of the property to mitigate the risk until the full amount due is paid to the satisfaction of the contract. The monitoring and follow up of balances is completed regularly and as a result the Group's exposure to losses is limited with appropriate allowances for uncollectible amounts, whenever it's needed.

Commission Rate Risk

Commission Rate Risk is associated with a change in the commission rate available when renegotiating financial instruments that are influenced by the current global financial market conditions. The Group is exposed to commission rate risk with respect to its floating commission covenants agreed for its long term Islamic Murabaha (revolving credit) facilities obtained from local banks.

The short term revolving borrowings' rates are renegotiated at every renewal proposal to achieve the best possible commission rate to reflect the given financial credentials and related risk perception of the Group.

The Group has policy to hedge and manage its variable commission rate risk exposures, if any, with shariah' complaint commission rate swap whenever applicable. The Group's international borrowing commission rates are primarily based on LIBOR and its local borrowings are based on SAIBOR. Hence the commission exposure of the Group is variable according to the changes in the LIBOR and SAIBOR.

Liquidity Risk
Liquidity risk is the risk that the Group will encounter difficulty in realizing assets or otherwise raising funds to meet commitments associated with financial instruments.

The liquidity risk is closely monitored through regular review of available funds and the cash flows from asset realizations against present and future commitments.

Foreign Currency Risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange values. Management monitors fluctuations in foreign currency exchange rates, and believes that the Group is not exposed to significant currency risk since the Group's functional currency is the Saudi Riyal, in which the Group transacts, which is currently fixed, within a narrow margin, against the U.S. dollar.

Fair value of financial instruments
Fair Value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's-length transaction. As the consolidated financial statements are prepared under the historical-cost convention, differences can arise between the book values and fair-value estimates. Management believes that the fair values of the financial assets and liabilities are not materially different from their carrying values.

20. COMMITMENTS

As at 31 December 2015, the Group has commitments which represent the value of the part not yet executed from the projects development contracts amounting to SR 49 million (31 December 2014: SR 81 million) , and performance commitment through a bank guarantee for SR 74 million against receivable collected (31 December 2014: SR 74 million).