BASE PROSPECTUS SUPPLEMENT DATED 19 MAY 2014
TO THE BASE PROSPECTUS DATED 14 NOVEMBER 2013

Dar Al-Arkan Sukuk Company Ltd.

(*incorporated in the Cayman Islands with limited liability*)

U.S.$1,200,000,000

Trust Certificate Issuance Programme

This base prospectus supplement (the **Supplement**) supplements, and must be read in conjunction with, the base prospectus dated 14 November 2013 (the **Base Prospectus**) prepared by Dar Al-Arkan Sukuk Company Ltd. (the **Trustee**) and Dar Al-Arkan Real Estate Development Company (**Dar Al-Arkan**) in connection with the Trust Certificate Issuance Programme (the **Programme**) established by the Trustee for the issuance of up to U.S.$1,200,000,000 in aggregate face amount of trust certificates (the **Trust Certificates**), and any other supplements to the Base Prospectus issued by the Trustee.

Terms defined in the Base Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

This Supplement has been approved by the Central Bank of Ireland (the **Irish Central Bank**), as competent authority under Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73 to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the **Prospectus Directive**). The Irish Central Bank only approves this Supplement as meeting the requirements imposed under Irish and European Union law pursuant to the Prospectus Directive. This Supplement constitutes a supplement for the purposes of Article 16 of the Prospectus Directive.

Each of the Trustee and Dar Al-Arkan accepts responsibility for the information contained in this Supplement. To the best of the knowledge of each of the Trustee and Dar Al-Arkan (each having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

The purpose of this Supplement is to update the disclosure in the Base Prospectus relating to, *inter alia*: (i) the audited consolidated financial statements of Dar Al-Arkan as at and for the year ended 31 December 2013; (ii) the unaudited interim condensed consolidated financial statements of Dar Al-Arkan as at and for the three month period ended 31 March 2014; (iii) the issuance of U.S.$300 million Trust Certificates due 2016 under the Programme; (iv) the repayment of Dar Al-Arkan's SAR 750 million (U.S.$200.27 million) local Riyal-denominated floating rate sukuk; and (v) a change of director on Dar Al-Arkan's Board of Directors.

IMPORTANT NOTICES

Information which is updated by reference to one section of the Base Prospectus may be repeated or referred to in other sections of that document. Accordingly, to the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any other statement in the Base Prospectus, the statements in this Supplement will prevail.

Save as disclosed in this Supplement, no other significant new fact, material mistake or inaccuracy relating to the information included in the Base Prospectus which is capable of affecting the assessment of the Trust Certificates issued under the Programme has arisen or been noted, as the case may be, since publication of the Base Prospectus.

Copies of this Supplement and the Base Prospectus can be: (i) viewed on the website of the Irish Central Bank at *www.centralbank.ie*; and (ii) obtained on written request and without charge from the registered office of the Trustee and from the specified office of the Principal Paying Agent.

There has been no significant change in the financial or trading position of Dar Al-Arkan and its subsidiaries, taken as a whole, since 31 March 2014 and there has been no material adverse change in the financial position or prospects of Dar Al-Arkan and its subsidiaries, taken as a whole, since 31 December 2013.

UPDATES TO THE BASE PROSPECTUS

With effect from the date of this Supplement, the information appearing in, or incorporated by reference into, the Base Prospectus shall be supplemented and/or amended in the manner described in this Supplement.

The information included in this section supplements the information contained in the Base Prospectus regarding Dar Al-Arkan. To the extent the information in this section is inconsistent with the information contained in the Base Prospectus, the information in this section supersedes and shall take precedence over such information. Capitalised terms not defined in this section have the meanings ascribed to them in the Base Prospectus.

FINANCIAL INFORMATION

Dar Al-Arkan has published its audited consolidated financial statements as at and for the year ended 31 December 2013 and its unaudited interim condensed consolidated financial statements as at and for the three month period ended 31 March 2014.

A copy of the audited consolidated financial statements as at and for the year ended 31 December 2013, together with the independent auditor's audit report in respect of these financial statements is attached as Annex A to this Supplement and, by virtue of this Supplement, are therefore incorporated in and form part of the Base Prospectus.

A copy of the unaudited interim condensed consolidated financial statements as at and for the three month period ended 31 March 2014, together with the independent auditor's limited review report in respect of these financial statements is attached as Annex B to this Supplement and, by virtue of this Supplement, are therefore incorporated in and form part of the Base Prospectus.

RECENT DEVELOPMENTS

Issuance of Sukuk VI

On 25 November 2013, the Trustee issued U.S.$300 million Trust Certificates due 2016 (**Sukuk VI**) under the Programme, with a maturity date of 25 November 2016. Outstanding amounts under Sukuk VI bear finance charges of 5.75 per cent. per annum, payable semi-annually in arrears. Sukuk VI are listed on the regulated market of the Irish Stock Exchange.

Repayment of Sukuk III

On 23 December 2013, Dar Al-Arkan purchased, and subsequently cancelled, SAR 650 million of its outstanding SAR 750 million (U.S.$200.27 million) local Riyal-denominated floating rate sukuk due 2014 which was issued in May 2009 (**Sukuk III**). The remaining SAR 100 million (U.S.$26.70 million) of Sukuk III was redeemed at maturity on 14 April 2014.

Eastern Province Project

On 27 April 2014, Dar Al-Arkan announced a new master-planned community project in the Eastern Province located between Dammam and Ras Tanura (the **Eastern Province Project**). The Eastern Province Project is intended to be an integrated community project, providing residential units, together with public service and commercial facilities, hotels, educational institutions and retail areas and will be developed on a total land area of approximately 8.2 million square metres, of which 1.5 million square metres is owned by Dar Al-Arkan. Dar Al-Arkan will act as the master developer of the project, undertaking the master planning and infrastructure development. The Eastern Province Project is in its preliminary stages, with the planning and design of the project scheduled to take place throughout 2014 and early 2015.

Acquisition

In line with the strategy of Dar Al-Arkan to build an income-generating portfolio of rental properties in order to establish a steady revenue stream from rental income, Dar Al-Arkan acquired 1,071 apartments and 11 villas in the Al-Qasr project in Riyadh, the Kingdom of Saudi Arabia and 267 villas in the Al-Tilal project in Madinah, the Kingdom of Saudi Arabia, during the first quarter of 2014. This acquisition is reflected in the unaudited interim condensed consolidated financial statements of Dar Al-Arkan as at and for the three month period ended 31 March 2014.

Change in Director

On 6 April 2014, the Board of Directors of Dar Al-Arkan approved the resignation of Mr. Fahd Saleh Abdulaziz Al Ajlan, effective as of 30 March 2014. Mr. Al Ajlan was an independent director representing the General Organization of Social Insurance (**GOSI**). On 6 April 2014, the Board of Directors appointed Eng. Saleh Bin Mrikhan AlMutairi to replace Mr. Al Ajlan as GOSI's representative on the Board of Directors.

Eng. AlMutairi has held the position of Health and Safety Expert and Environmental Specialist at GOSI since 2001, as well as being a member of the Board of Managers of the National Tourism Company (Syaheya). Eng. AlMutairi holds a bachelor's degree in Chemical Engineering from King Fahd University of Petroleum and Minerals and a master's degree in Environmental Sciences from King Saud University.

ANNEX A

DAR AL ARKAN
REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Dar Al Arkan Real Estate Development Company (A Saudi joint stock company) and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of a Matter

This report is issued in conformity with International Financial Reporting Standards for management purposes and should not be considered as replacement to the Company's consolidated financial statements issued in accordance with Generally Accepted Accounting Principles in the Kingdom of Saudi Arabia.

Deloitte & Touche
Bakr Abulkhair & Co.

Ehsan A. Makhdoum
License No. 358

Rabi Al Thani 18, 1435 H
February 18, 2014

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Notes	2013	2012
		SR 000	SR 000
ASSETS			
Non-current assets			
Investment properties, net	5	**2,694,638**	2,737,060
Development properties	6	**15,581,373**	14,868,656
Property and equipment, net	7	**74,370**	77,674
Investments in associates	8	**747,407**	744,157
Other assets		**132**	264
Total non-current assets		**19,097,920**	18,427,811
Current assets			
Development properties	6	**971,639**	891,034
Trade receivables and others	9	**1,848,641**	2,125,673
Cash and cash equivalents		**2,279,132**	535,771
Total current assets		**5,099,412**	3,552,478
TOTAL ASSETS		**24,197,332**	21,980,289
LIABILITIES AND SHAREHOLDERS' EQUITY			
Non-current liabilities			
Long-term borrowings	10	**5,159,269**	3,289,359
End of service indemnities	12	**17,348**	16,575
Total non-current liabilities		**5,176,617**	3,305,934
Current liabilities			
Short-term borrowings	10	**744,308**	1,095,120
Trade payables and others	13	**683,341**	623,807
Current tax liabilities (Zakat)	14	**600,245**	644,069
Total current liabilities		**2,027,894**	2,362,996
Total liabilities		**7,204,511**	5,668,930
Shareholders' Equity			
Share capital	15	**10,800,000**	10,800,000
Statutory reserve		**884,914**	816,768
Retained earnings		**5,307,907**	4,694,591
Total shareholders' equity		**16,992,821**	16,311,359
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**24,197,332**	21,980,289

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 COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013	2012
		SR 000	SR 000
Revenue		**2,931,168**	**3,557,072**
Cost of revenue		**(1,778,097)**	(2,163,366)
GROSS PROFIT	4	**1,153,071**	1,393,706
General, administrative, selling and marketing expenses		**(151,159)**	(154,601)
Depreciation	(5,7)	**(4,011)**	(21,197)
OPERATING PROFIT		**997,901**	1,217,908
Share of income from investment in associates	8 a	**3,250**	850
Finance costs	16	**(341,481)**	(297,567)
Other income, net		**39,320**	92,776
PROFIT BEFORE ZAKAT		**698,990**	1,013,967
Zakat expense	14 a	**(17,528)**	(25,430)
NET PROFIT FOR THE YEAR		**681,462**	988,537
Other comprehensive income:			
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**681,462**	988,537
Total comprehensive income attributable to:			
Dar Al Arkan shareholders		**681,462**	988,537
Earnings per share (in Saudi Riyals)			
Basic and diluted	17	**0.63**	0.92

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 2013

	Share capital	Statutory reserve	Retained earnings	Dar Al Arkan share-holders' equity	Non-Controlling interest	Total equity
	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000
2012						
Balance as at 1 January 2012	10,800,000	716,768	3,806,054	15,322,822	264,741	15,587,563
Transferred/ de-consolidated	-	-	-	-	(264,741)	(264,741)
Transfer to statutory reserve	-	100,000	(100,000)	-	-	-
Net profit for the year	-	-	988,537	988,537	-	988,537
Other comprehensive	-	-	-	-	-	-
Total comprehensive income for the year	-	-	988,537	988,537	-	988,537
Balance as at 31 December 2012	10,800,000	816,768	4,694,591	16,311,359	-	16,311,359
2013						
Balance as at 1 January 2013	**10,800,000**	**816,768**	**4,694,591**	**16,311,359**	**-**	**16,311,359**
Transfer to statutory reserve	**-**	**68,146**	**(68,146)**	**-**	**-**	**-**
Net profit for the year	-	-	681,462	681,462	-	681,462
Other comprehensive	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**681,462**	**681,462**	**-**	**681,462**
Balance as at 31 December 2013	**10,800,000**	**884,914**	**5,307,907**	**16,992,821**	**-**	**16,992,821**

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 2013

	2013	2012
	SR 000	SR 000
OPERATING ACTIVITIES		
Profit before Zakat	**698,990**	1,013,967
Adjustment for:		
Depreciation	**50,499**	42,521
End of service indemnities	**2,133**	3,252
Finance costs	**341,481**	297,567
Gain on disposal of investment in associates	**-**	(56,700)
Share of profit from investment in associates	**(3,250)**	(850)
Operating cash flows before movements in working capital	**1,089,853**	1,299,757
Development properties	**(793,322)**	(498,585)
Trade receivables and others	**277,032**	(391,061)
Other assets	**132**	703
Trade payables and others	**59,534**	(50,114)
Cash from operations	**633,229**	360,700
Finance costs	**(313,959)**	(264,086)
Zakat paid	**(61,352)**	(5,046)
End-of-service indemnities paid	**(1,360)**	(835)
NET CASH FROM OPERATING ACTIVITIES	**256,558**	90,733
INVESTING ACTIVITIES		
Investment properties	**(4,066)**	(20,843)
Proceeds from disposal of investment in associates	-	1,001,700
Purchase of property and equipment	**(707)**	(455)
NET CASH (USED IN)/ FROM INVESTING ACTIVITIES	**(4,773)**	980,402
FINANCING ACTIVITIES		
Long term borrowings	**1,491,576**	(3,041,138)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**1,491,576**	(3,041,138)
INCREASE IN CASH AND CASH EQUIVALENTS	**1,743,361**	(1,970,003)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	**535,771**	2,505,774
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**2,279,132**	535,771
Non-cash transactions related to deconsolidation of a subsidiary (Note 8)		
Development properties	**-**	**599,584**
Investment in associates	**-**	**(525,547)**
Non-controlling Interests	**-**	**(264,741)**
Trade payables and others (due to related parties note 19b)	**-**	**190,704**

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 established under the Company Laws & Regulations of The Kingdom of Saudi Arabia. The Company is registered in Riyadh under Commercial Registration No 1010160195 dated 16/04/1421H, corresponding to 18/07/2000 G. The Company is domiciled in The Kingdom of Saudi Arabia (K.S.A.) and its registered office address is P.O. Box No: 105633, Riyadh-11656, K.S.A.

The equity shares of the Company are listed with the security market of The Kingdom of Saudi Arabia.

The Company and its Subsidiaries are collectively called "the Group" and is predominantly engaged in the business of development, sale and leasing of real estate projects and associated activities. The Company manages its activities through subsidiaries established for each line of business. These Subsidiaries operate under their own commercial registration and are summarised below:

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.

THAWABIT INVESTMENT COMPANY– is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No: 1010275449, dated 30/10/1430 H (corresponding to 19/10/2009 G). 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 30/10/1430 H (corresponding to 19/10/2009 G). 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.

Non-controlling Interest

The Group has invested in Khozam Real Estate Development Company; a majority owned subsidiary and maintained control of the operations and consolidated with its financial statements up to 31 March 2012. Subsequent to 31 March 2012 the Group parent signed a technical and management service agreement (TMSA) with Khozam Real Estate Development Company (KDC) for supervision and technical support for Khozam project. Since the powers to govern the financial or operating policies of KDC are jointly bestowed with KDC shareholders', the assets and liabilities of KDC has been deconsolidated and accounted as investment in associates under equity method, hence no non-controlling interest is recognised in these financials.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), consistent with the Group's accounting policies with the exception of any changes to accounting policies as described below.

2.2 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

Standards and interpretations effective in the current year

In the current year, the Group has adopted all new Interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") that are mandatory for adoption in the annual periods beginning on or after 1 January 2013. The adoption of these interpretations has not led to any changes in the Group's accounting policies or disclosures provided in the consolidated financial statements.

Standards and interpretations in issue but not yet adopted

The following standards, amendments and interpretations were in issue at the date of authorisation of these financial statements, but not yet effective, and therefore were not applied in these consolidated financial statements.

The impact of the adoption of these standards is currently being assessed; however the directors anticipate that the adoption of these standards, amendments and interpretations in future periods will not have a significant impact on the consolidated financial statements of the Group.

- IAS 1 Amendments - Presentation of items of other comprehensive income
- IFRS 10 - Consolidated financial statements
- IFRS 11 - Joint arrangements
- IFRS 12 - Disclosure of interests in other entities
- IFRS 13 - Fair value measurement
- IAS 19 Revised 2011 - Employee benefits
- IAS 27 Revised 2011 - Separate financial statements
- IAS 28 Revised 2011 - Associates and joint ventures
- IFRS 7 Revised 2011 - Disclosures on offsetting financial assets and liabilities
- Amendments to the basis for conclusions on IAS 1,16, 32, and 34 (annual improvements 2011)

2.3 ACCOUNTING CONVENTION

The consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial instruments at fair value and investment in associates at equity method, the principal accounting policies are set out below.

2.4 BASIS OF CONSOLIDATION

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

Subsidiaries

Subsidiaries are entities that are controlled by the Group. The Group controls an entity when, it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity. Subsidiaries are fully consolidated from the effective date of acquisition or 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 as the fair value of the assets given, 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 in a business combination are initially measured at 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 fair values 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 fair value of the Group's share of identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair value of identifiable net assets acquired (i.e. discount on acquisition) is recognised directly in the consolidated statement of comprehensive 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 financial position at cost as adjusted by the post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interests in those associates are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When a partial sale of an associate result in losing significant influence over that associate, the remaining investment is measured at fair value on the date of sale and recognised as a financial asset. The difference between the attributable share of carrying amount for the retaining interest in that associate and its fair value is included in the determination of gain or loss of the disposal of the associates. In addition, the Group reclassifies the gains or losses from equity, previously recognised in the comprehensive income to the statement of comprehensive income.

Any excess of cost of acquisition over the Group's share of the fair values of identifiable net assets of the associate or joint venture at the date of acquisition is recognised 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 fair values of identifiable net assets of the associate or joint venture at the date of acquisition (i.e. discount on acquisition) is recognised in the consolidated statement of comprehensive income.

Where a Group company transacts with an associate or joint venture 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.

2.5 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 comprehensive 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.

2.6 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 comprehensive income for the period of the retirement/disposal except those that relate to sale and leaseback arrangements.

2.7 DEVELOPMENT PROPERTIES

Development properties principally comprise completed projects (including properties held for sale and developed land held for sale) and projects under development (including property projects under construction, land projects under development and land waiting for development). Projects under development include those properties in progress of development or waiting for development to commence.
All development properties 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 development properties will not be realised within 12 months. These have been split between non-current and current development properties.

2.8 IMPAIRMENT OF TANGIBLE ASSETS

At the date of each consolidated statement of financial position, 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 fair 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 comprehensive income.

2.9 ISLAMIC BORROWING COSTS

Islamic borrowing 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 borrowing costs are recognised in finance costs in the consolidated statement of comprehensive income in the period in which they are incurred.

2.10 FINANCIAL INSTRUMENTS

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

Trade receivables
Trade receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest rate method less any provision for impairment. 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. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective commission rate. 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 comprehensive 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 original maturities of less than three months.

Financial liabilities
Financial liabilities include Islamic Sukuk and Islamic Murabaha and are classified according to the substance of the respective contractual arrangement and are initially measured at their fair value, net of transaction costs. Financial liabilities are subsequently carried at their amortised cost, with commission cost being recognised on an effective yield basis in the consolidated statement of comprehensive income over the term of the instrument.

Trade payables
Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method.

Islamic variable financial instruments
The Group initially recognises Islamic variable financial instruments as either a financial asset or a financial liability, at fair value, and subsequently re-measured to their fair value at the end of each reporting period. The accounting for changes in the fair value of an Islamic variable financial instrument depends on the intended use and the resulting designation of the Islamic variable financial instrument. The resulting gain or loss is recognised in the consolidated statement of comprehensive income immediately, unless the Islamic variable financial instrument is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

For an Islamic variable financial instrument designated as a fair value hedge, the gain or loss is recognised in the consolidated statement of comprehensive income in the period of change together with the offsetting loss or gain on the hedged item attributed to the risk being hedged. Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

2.11 REVENUE RECOGNITION

Revenue represents the sale of development properties and rental activities. Revenue for sale of development properties 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, which is assessed to be at the time of legal completion of the sale or unconditional exchange. Revenue is measured at the fair value of consideration received. With respect to rental income, the Group recognises revenue on a straight line basis over the lease term.

2.12 ZAKAT TAXATION

Zakat is calculated pursuant to Zakat Regulation in the Kingdom of Saudi Arabia and recognised in the consolidated statement of comprehensive income in each year. The provision is based on an estimate of Zakat that is adjusted in the financial period in which the final assessment of Zakat is issued. Any change in the estimate resulting from the final assessment is recognised in that period.

2.13 FOREIGN CURRENCIES

Transactions in currencies other than Saudi Riyals, the presentational and functional currency of each subsidiary within the Group, are recorded at the rates of exchange prevailing on the dates of the transactions. At the date of each consolidated statement of financial position, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date Non-monetary assets and liabilities carried at fair value, that are denominated in foreign currencies, are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The resulting exchange gains or losses are recognised in the consolidated statement of comprehensive income.

2.14 STATUTORY RESERVE

According to the article (176) of the Companies' Regulation, the Group is required to retain 10% of net income in the statutory reserve. The Group may stop the transfers when this reserve reaches 50% of the share capital. This reserve is not available for dividend distribution.

2.15 END OF SERVICE INDEMNITIES

The Group provides end of service benefits to its employees in accordance with the labour law provisions 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, based on the estimated ultimate payment.

2.16 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.

2.17 LEASING

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience, internal controls, advice from external experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting judgments will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial periods are discussed below:

Revenue Recognition

The Group recognises revenue on its development properties when significant risks and rewards of ownership transfer to the buyer, which is assessed to be at the time of legal completion of the sale or unconditional exchange.

With respect to land projects, the Group receives an initial non-refundable deposit with the balance being paid on a deferred basis, which typically does not exceed three months. The Group recognises the full amount of the consideration at the time the sale contract is signed.

With respect to residential and commercial projects, The Group typically receives an initial deposit on the signature of the sales contract and a final payment on delivery of the units. Revenue from the sale of these properties is only recognized when the completed property is delivered to the purchaser.

With respect to rental income, the Group recognises revenue on a straight line basis over the lease term.

Recognition of cost of sales

The Group has developments which typically contain a number of individual projects within each development. In order to determine cost of sales related to properties or units sold during the year, management must estimate and to average the costs of the entire development, including infrastructure costs and overall construction costs. These costs must then be allocated to each project within the development and each unit within a project. These estimates are reviewed regularly on a profit per project basis and revised as necessary. Any significant change in these estimates may result in additional costs being recorded in future periods related to revenue recognised in a prior period.

Classification of properties

The Group's properties are classified as either development properties or investment properties. Management has made various judgments to determine whether a property qualifies as an investment property (properties held to earn rentals and/or for capital appreciation) or as a development property that comprises properties held for sale, developed land held for sale, property projects under construction, land projects under development and land awaiting development. In making its judgment, management considers its intended use of property. When management assess that certain investment properties will be disposed off, their carrying cost will be transferred to development properties as long as they are under development and not generating revenues. Further, at each reporting date management categorises individual projects as long term or short term depending on its estimated completion date. If a completion date is expected to be within a year of the consolidated statement of financial position date, the project is classified as current.

Investment Properties

Investment properties are the interests in land and/or buildings that are held for their investment potential for generating lease revenues and/or capital appreciation or both. These are not used for generating sales revenues through normal business operations. The investment properties are initially recognised at cost and the cost of an acquisition is measured at fair value of the assets acquired / transferred. All developments costs directly attributable to the properties are capitalized to derive the total cost. Current carrying cost represents total cost for under construction properties and for the completed properties it is total cost less accumulated depreciation. During the construction phase the management does not believe the fair values are reliably determinable, however the group encourages independent valuation for the completed properties, to assess their fair value, wherever appropriate and reliable. Any sustained depletion in the fair value of a property compared to its current cost is recognised as impairment loss in the consolidated statement of comprehensive income.

Carrying value of development properties

The Group's principal activity is currently the development and sale of land and the development and sale of residential and commercial property. Due to the nature of this activity, much of the development is speculative in nature. Accordingly, the consolidated statement of financial position at 31 December 2013 reflects current assets that are not covered by forward sales contracts.

The Group assesses the net realisable value of its investment properties and its development properties at each reporting date. This assessment is based on a profit per project basis and compares the carrying and future costs to the expected selling price per unit based on historical activities. As a result of this process, there have been no instances where the estimated net realisable value of the site was less than its current carrying value within the consolidated statement of financial position. A change of these estimates in the future could have an impact on the valuation of the development properties.

4. REPORTING SEGMENTS

Management has organised the Group into three segments. Management develops its strategic planning and business model around these segments that consist of:

- Projects – the development of basic infrastructure on undeveloped land ("Land Projects") and the development of residential and commercial projects and the sale of units on such projects ("Residential and Commercial Projects").
- Investments – the investment in companies that Management believes are complementary to the Group's real estate development operations.
- Properties – management of properties that the Group has retained as rental properties including commercial and residential units on its Master-Planned Communities.

The Group does not allocate share of profits of associates, general administration, selling and marketing costs including directors' salaries, finance costs, other income and Zakat expense to its segments. Substantially all of segment operating activity (including revenue and costs) for the year ended 31 December 2013 and 2012 was generated from the Projects segment and as a result there is no breakout provided of revenue and segment profit by segment. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.

The Group operates exclusively in Saudi Arabia and all its revenues are derived from its portfolio of properties which the Group manages.

Major products
The revenue and gross margin from sales of land, sales of residential and commercial projects and leasing of properties are presented below:

	2013	2012
	SR 000	SR 000
REVENUES		
Sales of residential properties	**459**	25,293
Sales of land	**2,822,281**	3,478,997
Leasing of properties	**108,428**	52,782
Total	**2,931,168**	3,557,072
COST OF REVENUES		
Residential properties	**363**	21,026
Land	**1,731,246**	2,121,016
Leasing of properties	**46,488**	21,324
Total	**1,778,097**	2,163,366
GROSS PROFIT		
Residential properties	**96**	4,267
Land	**1,091,035**	1,357,981
Leasing of properties	**61,940**	31,458
Total	**1,153,071**	1,393,706

5. INVESTMENT PROPERTIES, NET

	2013	2012
	SR 000	SR 000
COST		
At beginning of the year	**2,784,469**	**2,763,626**
Additions during the year	**4,066**	**15,575**
Capitalisation of borrowing costs	**-**	**5,268**
At end of the year	**2,788,535**	**2,784,469**
ACCUMULATED DEPRECIATION		
At beginning of the year	**47,409**	**10,273**
Charge during the year	**46,488**	**37,136**
At end of the year	**93,897**	**47,409**
CARRYING AMOUNT AT THE END OF THE YEAR	**2,694,638**	**2,737,060**

Included within investment properties is land with an original cost of SR 578.1 million (31 December 2012: SR 578.1 million).

6. DEVELOPMENT PROPERTIES

	2013	2012
	SR 000	SR 000
Property projects under development	**2,718,238**	**3,214,085**
Developed land	**1,936,614**	**2,124,441**
Land projects under development	**10,926,521**	**9,530,130**
Non-current assets	**15,581,373**	**14,868,656**
Property projects under development	**44,529**	**46,702**
Developed land	**927,110**	**844,332**
Current assets	**971,639**	**891,034**
Total development properties	**16,553,012**	**15,759,690**

Included within Land projects under development is land worth SR 4.86 billion (31 December 2012: SR 5.61 billion), which represents the Group's share of co-ownership with third parties according to the contracts of land development.

During the year the Group's management and directors conducted an internal review and valuation of the real estate portfolio consisting of investment properties and development properties which resulted in a fair value amounting to SR 29.45 billion (December 31, 2012: SR 28.3 billion) for a total cost of SR 19.25 billion (December 31, 2012: SR 18.5 billion), indicating an average uplift of 53% across the real estate portfolio. The management believes that the resultant uplift on the book value is realistic indication of the fair value of the properties of the Group.

The movement in development properties during the years ended 31 December 2013 and 2012 is as follows:

Non-current assets	**Property projects under development**	**Developed land**	**Land projects under development**	**Total**
	SR 000	**SR 000**	**SR 000**	**SR 000**
2013				
Balance at 1 January 2013	**3,214,085**	**2,124,441**	**9,530,130**	**14,868,656**
Additions	**25,636**	**43,187**	**2,285,804**	**2,354,627**
Capitalisation of borrowing costs	**88,539**	**-**	**-**	**88,539**
Disposals	**(610,022)**	**(231,014)**	**(889,413)**	**(1,730,449)**
Balance at 31 December 2013	**2,718,238**	**1,936,614**	**10,926,521**	**15,581,373**
2012				
Balance at 1 January 2012	3,868,580	759,757	9,061,280	13,689,617
Additions	2,520	73,901	2,300,848	2,377,269
Capitalisation of borrowing costs	141,897	-	-	141,897
Transfers	42,764	1,290,783	(642,348)	691,199
Disposals	(841,676)	-	(1,189,650)	(2,031,326)
Balance at 31 December 2012	3,214,085	2,124,441	9,530,130	14,868,656

Current assets	**Property projects under development**	**Developed land**	**Total**
	SR 000	**SR 000**	**SR 000**
2013			
Balance at 1 January 2013	**46,702**	**844,332**	**891,034**
Additions/ adjustments	**(1,810)**	**83,575**	**81,765**
Disposals	**(363)**	**(797)**	**(1,160)**
Balance at 31 December 2013	**44,529**	**927,110**	**971,639**
2012			
Balance at 1 January 2012	64,469	2,106,603	2,171,072
Additions	3,259	118,202	121,461
Transfers	-	(1,290,783)	(1,290,783)
Disposals	(21,026)	(89,690)	(110,716)
Balance at 31 December 2012	46,702	844,332	891,034

7. PROPERTY AND EQUIPMENT, NET

2013	**Land and buildings**	**Leasehold improvement**	**Vehicles**	**Machinery and tools**	**Office equipment**	**Total**
	SR 000	**SR 000**	**SR 000**	**SR 000**	**SR 000**	**SR 000**
COST						
Balance at 1 January 2013	**109,145**	**19,037**	**9,250**	**13,536**	**39,411**	**190,379**
Additions for the year	**-**	**-**	**-**	**-**	**707**	**707**
Balance at 31 December 2013	**109,145**	**19,037**	**9,250**	**13,536**	**40,118**	**191,086**
ACCUMULATED DEPRECIATION						
Balance at 1 January 2013	**33,075**	**18,866**	**9,184**	**13,404**	**38,176**	**112,705**
Depreciation for the year	**3,016**	**104**	**64**	**38**	**789**	**4,011**
Balance at 31 December 2013	**36,091**	**18,970**	**9,248**	**13,442**	**38,965**	**116,716**
CARRYING AMOUNT AT 31 December 2013	**73,054**	**67**	**2**	**94**	**1,153**	**74,370**

2012	**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
Charge 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
CARRYING AMOUNT AT 31 DECEMBER 2012	76,070	171	66	132	1,235	77,674

8. INVESTMENTS IN ASSOCIATES

Investment in associates represents investments in share of companies, where the Group exercises significant influence. The shares of these companies are not publicly traded. The Group's ownership in these privately owned companies ranges from 15% to 51%. For entities where the investment is less than 20%, management believes that it is able to exert significant influence due to its involvement at board level. Movement in investments in associates is as follows:

a. ***Investments in associates*:**

	2013	2012
	SR 000	SR 000
Investments, beginning of year	**744,157**	1,162,760
Transfer on deconsolidation during the year	**-**	525,547
Sold during the year	**-**	(945,000)
Share of profit during the year	**3,250**	850
Investments, end of year	**747,407**	744,157

b. 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	**(140)**	
Balance, end of the year	**747,407**	

c. Summarised financial information in respect of the Group's associates is set out below:

	2013	2012
	SR 000	SR 000
Total assets	**4,294,648**	3,130,861
Total liabilities	**(2,519,817)**	(1,427,922)
Net assets	**1,774,831**	1,702,939
Group's share of net assets of associates	**747,407**	744,157
Total revenue for the year	**146,199**	115,228
Total profit for the year	**69,614**	45,304
Group's share of profit for the year	**3,250**	850

Details of transactions with associates are disclosed under note 19 "Related Party Transactions" of these consolidated financial statements.

9. TRADE RECEIVABLES AND OTHERS

	2013	2012
	SR 000	SR 000
Trade receivables – net provision for doubtful debts (SR 4.48 million in 2013 and 2012)	**1,364,297**	1,492,749
Trade receivables – related party (note 19a)	**143**	143
Advance payments to purchase land	**409,400**	563,270
Prepayments and others	**74,801**	69,511
	1,848,641	2,125,673

The fair value of financial assets included above approximates the carrying amount. The maximum credit taken for sales is less than 90 days, which also represents the maximum ageing of trade receivables. No penalties are charged for delayed payments.

10. LONG-TERM BORROWINGS

	2013	2012
	SR 000	SR 000
Islamic Sukuk	**4,600,000**	2,437,500
Islamic Murabaha	**1,389,321**	2,002,941
	5,989,321	4,440,441
Less: Un-amortised transaction costs (note 10 b)	**(85,744)**	(55,962)
Borrowings end of the year	**5,903,577**	4,384,479
Less: Short-term borrowings	**(744,308)**	(1,095,120)
Long-term borrowings	**5,159,269**	3,289,359

a. Repayable as follows:

	2013	2012
	SR 000	SR 000
Within one year	**754,632**	1,107,369
In the second year	**2,250,105**	1,233,800
In the third to fifth years inclusive	**2,984,584**	2,099,272
	5,989,321	4,440,441

b. Islamic borrowings transaction costs:

	2013	2012
	SR 000	SR 000
Balance, beginning of the year	**55,962**	55,367
Additions during the year	**63,068**	46,742
Capitalisation during the year	**(5,764)**	(12,666)
Amortisation charge for the year	**(27,522)**	(33,481)
Balance, end of the year	**85,744**	55,962

c. Analysis of borrowings:

Islamic Sukuk

This represents SR 4.60 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 International Sukuk Company II at 10.75% and maturing in 2015.

2) 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.

3) 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.

4) SR 750 million of Islamic Sukuk issued by the Group maturing in 2014 of which SR 650 million repaid and cancelled during 2013 resulting an outstanding of SR 100 million as at 31 December 2013.

The first three of the above listed Islamic Sukuk's 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 facility due in 2015 has index linked commission rate swap arrangements which effectively reduce the fixed rate commission (Note 11).

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

Islamic Murabaha

This represents the bilateral Murabaha facilities from local and international commercial banks, secured against certain real estate properties, in the form of Islamic Murabaha, letters of guarantee and letters of credit. These facilities comprise of long- term and short- term tenures ranging from 6 months to 4 years with various repayment schedules like annual roll revolvers, bullet payments and instalment 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
2014	**86,072**	**86,072**	**-**
2015	**749,499**	**377,727**	**371,772**
2016	**553,750**	**190,833**	**362,917**
	1,389,321	**654,632**	**734,689**

The total weighted average effective annual commission rate for the year ended 31 December 2013 is 7.6% (31 December 2012: 6.7%)

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

11. COMMISSION RATE SWAP

The Group, through a shari'ah compliant arrangement, agreed to exchange fixed rate commission liability with floating rate commission amounts, calculated on agreed notional principal amounts. In July 2012, the Group has 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 Group uses the following hierarchy for determining and disclosing the fair value of financial instruments;

- Level 1: Quoted prices in active markets for the same instrument (i.e., without modification or additions);

- Level 2: Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data and

- Level 3: Valuation techniques for which any significant input is not based on observable market data.

During October 2013, considering the steady upward change of commission rate and to avoid losses, the Group had cancelled and closed one of its index linked commission rate swap capped at 12.55%.

The cumulative fair value of this agreement which does not qualify for hedge accounting in accordance with generally accepted accounting standards amounted to SR 2.0 thousand (USD 0.5 thousand) (31 December 2012: SR 10.03 million (USD 2.67 million). The change in the fair value during the year amounting to SR 10.03 million (USD 2.67 million) has been recognised as other expense in the consolidated statement of comprehensive income (SR 42.81 million (USD 11.42 million) for the year ended 31 December 2012).

12. END OF SERVICE INDEMNITIES

The Group provides end of service benefits to its employees in accordance with the labour law provision in Saudi Arabia. The total cost charged to consolidated statement of comprehensive income for the year ended 31 December 2013 was SR 2.13 million (31 December 2012: SR 3.25 million).

13. TRADE PAYABLES AND OTHERS

	2013	2012
	SR 000	SR 000
Trade payables	**267,098**	256,133
Due to related parties (note 19b)	**196,246**	198,101
Accruals	**184,248**	127,000
Unpaid dividend	**35,749**	36,027
Other payables	**-**	6,546
	683,341	623,807

Trade payables and others principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days (31 December 2012: 30 days).

The fair value of financial liabilities included above approximates the carrying amount.

14. CURRENT TAX LIABILITIES (ZAKAT)

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

	2013	2012
	SR 000	SR 000
Balance beginning of the year	**644,069**	623,685
Estimated Zakat for the year	**17,528**	25,430
Payment made during the year	**(61,352)**	(5,046)
Estimated Zakat provision, end of the year	**600,245**	644,069

b) The Company has received the assessments from DZIT for the years 2003 to 2009 and has filed an objection for the years 2008 and 2009 which is issued with an additional zakat liability. The basis for this additional liability is being formally contested by the Company and is awaiting a response from DZIT. The management believes that the ultimate outcome of the appeals filed and actions taken by the Company cannot be determined reliably at this stage, however, the carrying provisions are sufficient to meet any additional liability, if required. The Company has not received DZIT assessment for year 2010 and 2011. The filing of the consolidated zakat return for year 2012 is currently under process.

15. SHARE CAPITAL

	2013	2012
	SR 000	SR 000
Authorised:		
1,080,000,000 ordinary shares of SR 10 each (31 December 2012: 1,080,000,000)	**10,800,000**	10,800,000
Issued and fully paid shares of SR 10 each		
At the start of the year	**10,800,000**	10,800,000
At the end of the year	**10,800,000**	10,800,000

The Group has one class of ordinary shares which carry no right to fixed income.

16. FINANCE COSTS

	2013	2012
	SR 000	SR 000
Charges on Sukuk	**203,618**	153,860
Charges on Islamic Murabaha	**110,341**	110,226
Amortisation of finance costs	**27,522**	33,481
	341,481	297,567

During the year ended 31 December 2013 the Group had annual weighted average capitalisation effective rate of 2.52% (31 December 2012: 3.41%).

17. EARNINGS PER SHARE

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

	2013	2012
	SR 000	SR 000
Earnings		
For the purpose of basic earnings per share (Net profit for the year)	**681,462**	988,537
Number of shares	**Number**	**Number**
Weighted average number of ordinary shares For the purposes 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.

18. OPERATING LEASE ARRANGEMENTS

The minimum lease payments under non-cancellable operating lease rentals are as follows:

	2013	2012
	SR 000	SR 000
Amounts due:		
Within one year	**272**	593
Between one and five years	**647**	920
After five years	**217**	167
	1,136	1,680

19. RELATED PARTY TRANSACTIONS

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

a) Due from related parties

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 non performing receivables. The details of the transactions, included in trade receivable (refer note # 9) are as follows:

	2013	2012
	SR 000	SR 000
Balance, beginning of the year	**143**	143
Sales during the year	**-**	11,054
Commission during the year	**-**	(13)
Collection during the year	**-**	(11,041)
Balance, end of the year	**143**	143

b) Due to related parties

The Khozam Real Estate Development Company (KDC) management requested to invest excess cash balance of KDC with the group at a nominal profit. The details of the transactions, included in trade payable and other (refer note # 13) are as follows:

	2013	2012
	SR 000	SR 000
Balance, beginning of the year	**198,101**	-
Balance transferred as on 1 April 2012	**-**	205,425
Expenses/assets	**-**	(84)
Repayment of advances	**(3,815)**	(8,710)
Profit charged	**1,960**	1,470
Balance, end of the year	**196,246**	198,101

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 trade payable under trade payable and others (refer note # 13) are as follows:

	2013	2012
	SR 000	SR 000
Fees & expenses charged for the year	**6,733**	-
Amount paid during the year	**(5,437)**	-
Balance, end of the year	**1,296**	-

(ii) Alkhair Capital Saudi Arabia

The Group directly and through Bank Alkhair B.S.C 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. The details of the transactions indirectly through Bank Alkhair B.S.C, are as follows:

Transactions for Group's engagement through Bank Alkhair B.S.C

	2013	2012
	SR 000	SR 000
Fees and expenses shared during the year	**1,406**	-
Total amount for the year	**1,406**	-

For the year ended 31 December 2013 and the year ended 31 December 2012, no other transactions are entered into with entities that have common Board Members or Shareholders to the Group.

In addition, the Group entered into certain other transactions with related parties that did not have a significant impact on the financial position or comprehensive income of the Group.

See also note 8.

20. RETIREMENT BENEFIT PLANS

The Group makes payments to defined contribution retirement benefit plans in the form of the General Organisation of Social Insurance that are charged as an expense as they fall due. Payments are made on the basis of a percentage of qualifying salary for certain employees to this state-managed scheme.

The total cost charged to the consolidated statement of comprehensive income for the year ended 31 December 2013 was SR 2.13 million (31 December 2012: SR 3.25 million), and the outstanding contribution as at 31 December 2013 is SR 155 thousand (31 December 2012: SR 230 thousand).

21. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to its parent company through optimisation of debt and equity balances. The Group's overall strategy remains unchanged from 2007, when the Group diversified its sources of funding and issued two medium term Sukuks ranging from 3-5 years. Considering the track record of timely repayment of the first two sukuks and the group expertise developed over the past five years to access international markets for shariah' compliant funding, the management continue to maintain its relationship with the capital markets and monitor the markets for future issuance. The Group adhere to international best practices in corporate governance and consider the capital market transactions to create additional shareholders value.

The capital structure of the Group consists of net debt (borrowings adjusted with cash and cash equivalents) and equity (comprising share capital, statutory reserve, and retained earnings). The Group is not subject to any externally imposed capital requirements.

Gearing ratio

The Group consistently monitors its gearing ratio, to ensure compliance with external covenant requirements.

22. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities are mainly comprised of Islamic Murabaha (term and annual revolving) facilities taken from banks, issue of Islamic Sukuk, trade payable and other payables to contractors and suppliers. The paramount objectives of these financial instruments are to raise the funding base for various projects as well as for the working capital requirement of the Group.

The Group also has financial assets in the form of bank deposits, cash in hand, due from related parties and trade and other receivables, which are integral and directly derived out of its regular business. On the reporting date the Group has not entered into any non-Islamic financial variable instrument contracts by way of currency hedging, commission rate swap agreements or similar instruments.

The Group's financial operations are subject to the following risks:

1. Credit Risk
2. Commission Rate Risk
3. Liquidity Risk
4. Foreign Currency Risk
5. Islamic financial variable instrument

Credit Risk

The Credit Risk can be defined as a loss of value of an asset as a result of a failure by a customer or a counter party to such commercially valid and legally enforceable contract to comply with its obligations.

The general sales policy of the Group is "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 respect to the credit risk exposure of other financial assets, namely, due from related parties, bank deposits and trade and other receivables, the maximum credit risk of the Group is limited to their carrying values, in case there is a failure of the other party to meet its obligation.

As of the reporting date, the Group does not have significant credit risk concentration with any single party or a group.

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 Sukuk borrowings and other 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 a specific shariah' complaint commission rate swap contract to manage its commission rate risk. 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 & SAIBOR.

The commission rate sensitivity analysis is performed based on the commission rate exposure of the Group for floating rate liabilities outstanding at the end of the consolidated statement of financial position date. The calculations are done on floating commission rates assuming the liabilities outstanding for a whole year as at the consolidated statement of financial position date.

During the year under review the average rate of 3 months LIBOR varied between 0.25% and 0.24% (0.42 % and 0.31 % for 2012) and SAIBOR varied between 0.96% and 0.95% (0.99% and 0.95 % for 2012).

The sensitivity of commission variance on the Group's external borrowings which affects the consolidated financial statements of the Group is shown below:

	2013	**2012**
	SR 000	**SR 000**
+ 25 basis points	**14,973**	11,101
- 25 basis points	**(14,973)**	(11,101)

The net profit of the Group for the reported period would have been affected by the above amount as a result of such changes in floating commission rates. Due to the capitalisation of borrowing costs directly attributed to projects in progress, there would be timing differences on such an impact to the Group's current profit and loss account and the current impact would be limited to around 30%, as historically, the management capitalises approximately 30% of borrowing costs to projects in progress as explained in note 2.9.

Liquidity Risk
Liquidity Risk can result from a difficulty to meet the financial commitments and obligations of the Group as per the agreed terms and covenants.

To mitigate the liquidity risk and associated losses of business and brand value opportunities; the Group, where possible, keeps sufficient liquid assets in all business conditions. The Group refrains from funding its long term capital requirements through short term borrowings and related party current account transactions. Currently the long term projects are funded from long term or revolving borrowings only. The Group also has a dynamic cash flow assessment policy and system by which it can estimate and plan the maturities as well as required resources to meet such obligations.

The total weighted average effective annual commission rate for the year ended 31 December 2013 is 7.6% (31 December 2012: 6.7%)

See notes 10 and 13 for further details.

Foreign Currency Risk
Foreign Currency Risk is associated with the change in the value of the carrying value in the functional currency due to the variation of the underlying foreign currency obligation or right by way of transaction or translation reasons. The functional currency of the Group is the Saudi Riyal that is pegged against the US Dollar with a fixed exchange rate of 3.75 Saudi Riyals per US Dollar. Since transactions, other than US Dollars, are negligible; the Group does not assume any significant foreign currency risk.

Islamic financial variable Instruments Risk
As part of its asset and liability management, the Group uses Islamic finance variable instruments for hedging its exposure to commission rate and cash flow risks. This is generally achieved by hedging specific transactions. The Group uses Islamic finance variable instruments primarily to manage exposures to foreign currency and commission rate risks. The Group's principal objective in holding Islamic finance variable instruments is to reduce the cash outflows associated with changes in foreign currency and fixed commission rates. The Group's Islamic finance variable instruments are exposed to credit risk to the extent of that counterparty's inability to meet the contractual obligations. The Group mitigates such risks by dealing with major financial institutions as its counterparties. The group Management does not expect any material losses or risk from the default of counterparties as the potential risk of such defaults is periodically monitored.

23. COMMITMENTS

To complete the long term construction and development of investment and development properties, the Group have committed to a number of contractual arrangements and agreements. Such contracts are cancellable at the Group's discretion with no penalties. The estimated uncompleted contracts outstanding as at 31 December 2013 amounts to SR 85 million (31 December 2012: SR 107 million).

These commitments are expected to be settled within the duration of the projects in progress and shall be funded through prospective property sales and external borrowings, if necessary.

24. CONTINGENCIES

During the normal course of business there are general litigations and legal claims. Management takes legal advice as to the likelihood of success of claims and no provision is made when the action is unlikely to succeed.

At 31 December 2013, there were no significant claims notified (31 December 2012: None).

ANNEX B

DAR AL ARKAN
REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S LIMITED REVEW REPORT
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2014

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INDEPENDENT AUDITOR'S REVIEW REPORT

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Dar Al Arkan Real Estate Development Company (the "Company") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2014, and the related interim condensed consolidated statements of comprehensive income, changes in shareholders' equity and cash flows and notes from (1) to (25) for the three-month period then ended. The Company's management is responsible for the preparation and presentation of these interim consolidated financial statements in accordance with International Accounting Standard No. 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia applicable to limited review engagements and with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard No. 34.

Emphasis of a Matter

This report is issued in conformity with International Financial Reporting Standards for management purposes and should not be considered as replacement to the Company's interim consolidated financial statements issued in accordance with Generally Accepted Accounting Principles in the Kingdom of Saudi Arabia.

Deloitte & Touche
Bakr Abulkhair & Co.

Ehsan A. Makhdoum
License No. 358

Jumada Al Thani 15, 1435
April 15, 2014

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014

	Notes	31 March 2014 (Unaudited)	31 December 2013 (Audited)
		SR 000	SR 000
ASSETS			
Non-current assets			
Investment properties, net	5	**3,567,393**	2,694,638
Development properties	6	**14,783,114**	15,581,373
Property and equipment, net	7	**73,545**	74,370
Investments in associates	8	**752,907**	747,407
Other assets		**-**	132
Total non-current assets		**19,176,959**	19,097,920
Current assets			
Development properties	6	**969,355**	971,639
Trade receivables and others	9	**2,243,647**	1,848,641
Cash and cash equivalents		**2,060,260**	2,279,132
Total current assets		**5,273,262**	5,099,412
TOTAL ASSETS		**24,450,221**	24,197,332
LIABILITIES AND SHAREHOLDERS' EQUITY			
Non-current liabilities			
Long-term borrowings	10	**3,922,417**	5,159,269
End of service indemnities	12	**17,825**	17,348
Total non-current liabilities		**3,940,242**	5,176,617
Current liabilities			
Short-term borrowings	10	**2,052,479**	744,308
Trade payables and others	13	**619,299**	683,341
Current tax liabilities (Zakat)	14	**597,523**	600,245
Total current liabilities		**3,269,301**	2,027,894
Total liabilities		**7,209,543**	7,204,511
Shareholders' Equity			
Share capital	15	**10,800,000**	10,800,000
Statutory reserve		**884,914**	884,914
Retained earnings		**5,555,764**	5,307,907
Total shareholders' equity		**17,240,678**	16,992,821
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**24,450,221**	24,197,332

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

	Notes	2014	2013
		SR 000	SR 000
Revenue		**924,089**	835,821
Cost of revenue		**(521,320)**	(460,240)
GROSS PROFIT	4	**402,769**	375,581
General, administrative, selling and marketing expenses		**(53,550)**	(51,337)
Depreciation	(7)	**(926)**	(1,062)
OPERATING PROFIT		**348,293**	323,182
Share of income from investment in associates	8 a	**5,500**	500
Finance costs	16	**(113,166)**	(68,277)
Other income, net		**14,508**	(11,494)
PROFIT BEFORE ZAKAT		**255,135**	243,911
Zakat expense	14 a	**(7,278)**	(6,300)
NET PROFIT FOR THE PERIOD		**247,857**	237,611
Other comprehensive income:			
Other comprehensive income for the period		**-**	-
Total comprehensive income for the period		**247,857**	237,611
Total comprehensive income attributable to:			
Dar Al Arkan shareholders		**247,857**	237,611
Earnings per share (in Saudi Riyals)			
Basic and diluted	17	**0.23**	0.22

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

	Share capital	Statutory reserve	Retained earnings	Total equity
	SR 000	SR 000	SR 000	SR 000
2014				
Balance as at 1 January 2014	**10,800,000**	**884,914**	**5,307,907**	**16,992,821**
Net profit for the Period	**-**	-	**247,857**	**247,857**
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**247,857**	**247,857**
Balance as at 31 March 2014	**10,800,000**	**884,914**	**5,555,765**	**17,240,678**
2013				
Balance as at 1 January 2013	10,800,000	816,768	4,694,591	16,311,359
Net profit for the Period	-	-	237,611	237,611
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	237,611	237,611
Balance as at 31 March 2013	10,800,000	816,768	4,932,202	16,548,970

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2014

	2014	2013
	SR 000	SR 000
OPERATING ACTIVITIES		
Profit before Zakat	**255,135**	243,911
Adjustment for:		
Depreciation	**13,445**	10,074
End of service indemnities	**642**	763
Provision for doubtful debts	**7,861**	-
Finance costs	**113,166**	68,277
Gain on disposal of property and equipment	**(14)**	-
Share of income from investment in associates	**(5,500)**	(500)
Operating cash flows before movements in working capital	**384,735**	322,525
Development properties	**800,543**	337,912
Trade receivables and others	**(402,867)**	(98,695)
Other assets	**132**	33
Trade payables and others	**(64,042)**	46,909
Cash from operations	**718,501**	608,684
Finance costs	**(104,969)**	(63,271)
Zakat paid	**(10,000)**	-
End-of-service indemnities paid	**(165)**	(410)
NET CASH FROM OPERATING ACTIVITIES	**603,367**	545,003
INVESTING ACTIVITIES		
Investment properties	**(885,274)**	(2,765)
Proceeds from disposal of property and equipment	**14**	-
Purchase of property and equipment	**(101)**	(311)
NET CASH USED IN INVESTING ACTIVITIES	**(885,361)**	(3,076)
FINANCING ACTIVITIES		
Long term borrowings	**63,122**	(243,084)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**63,122**	(243,084)
INCREASE IN CASH AND CASH EQUIVALENTS	**(218,872)**	298,843
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	**2,279,132**	535,771
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	**2,060,260**	834,614

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

1. GENERAL INFORMATION

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY (the "Company"), is a Saudi Joint Stock Company established under the Company Laws & Regulations of The Kingdom of Saudi Arabia. The Company is registered in Riyadh under Commercial Registration No 1010160195 dated 16/04/1421H, corresponding to 18/07/2000 G. The Company is domiciled in The Kingdom of Saudi Arabia (K.S.A.) and its registered office address is P.O. Box No: 105633, Riyadh-11656, K.S.A.

The equity shares of the Company are listed with the security market of The Kingdom of Saudi Arabia.

The Company and its Subsidiaries are collectively called "the Group" and is predominantly engaged in the business of development, sale and leasing of real estate projects and associated activities. The Company manages its activities through subsidiaries established for each line of business. These Subsidiaries operate under their own commercial registration and are summarised below:

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.

THAWABIT INVESTMENT COMPANY– is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No: 1010275449, dated 30/10/1430 H (corresponding to 19/10/2009 G). 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 30/10/1430 H (corresponding to 19/10/2009 G). It operates in Real Estate investments and development.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with the International Accounting Standard No 34 – "Interim Financial Reporting", consistent with the Group's accounting policies with the exception of any changes to accounting policies as described below.

2.2 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

Standards and interpretations effective in the current period

In the current period, the Group has adopted all new Interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") that are mandatory for adoption in the annual periods beginning on or after 1 January 2014. The adoption of these interpretations has not led to any changes in the Group's accounting policies or disclosures provided in the interim condensed consolidated financial statements.

Standards and interpretations in issue but not yet adopted

The following standards, amendments and interpretations were in issue at the date of authorisation of these financial statements, but not yet effective, and therefore were not applied in these interim condensed consolidated financial statements.

The impact of the adoption of these standards is currently being assessed; however the directors anticipate that the adoption of these standards, amendments and interpretations in future periods will not have a significant impact on the interim condensed consolidated financial statements of the Group.

• IFRS 10	Amendments	- Consolidated financial statements
• IFRS 12	Amendments	- Disclosure of interests in other entities
• IAS 27	Amendments	- Separate financial statements
• IAS 32	Amendments	- Financial Instruments: Presentation
• IAS 36	Amendments	- Impairment of Assets
• IAS 39	Amendments	- Financial Instruments: Recognition and Measurement

2.3 ACCOUNTING CONVENTION

The interim condensed consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial instruments at fair value and investment in associates at equity method, the principal accounting policies are set out below.

2.4 BASIS OF CONSOLIDATION

The interim condensed consolidated financial statements of the Group incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 March 2014.

Subsidiaries

Subsidiaries are entities that are controlled by the Group. The Group controls an entity when, it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity. Subsidiaries are fully consolidated from the effective date of acquisition or 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 as the fair value of the assets given, 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 in a business combination are initially measured at 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 fair values 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 fair value of the Group's share of identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair value of identifiable net assets acquired (i.e. discount on acquisition) is recognised directly in the interim condensed consolidated statement of comprehensive income.

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

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

The results, assets and liabilities of associates are incorporated in these interim condensed consolidated financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the interim condensed consolidated financial position at cost as adjusted by the post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interests in those associates are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When a partial sale of an associate result in losing significant influence over that associate, the remaining investment is measured at fair value on the date of sale and recognised as a financial asset. The difference between the attributable share of carrying amount for the retaining interest in that associate and its fair value is included in the determination of gain or loss of the disposal of the associates. In addition, the Group reclassifies the gains or losses from equity, previously recognised in the comprehensive income to the statement of comprehensive income.

Any excess of cost of acquisition over the Group's share of the fair values of identifiable net assets of the associate or joint venture at the date of acquisition is recognised 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 fair values of identifiable net assets of the associate or joint venture at the date of acquisition (i.e. discount on acquisition) is recognised in the interim condensed consolidated statement of comprehensive income.

Where a Group company transacts with an associate or joint venture 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.

2.5 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost less estimated residual value of assets, other than land, over their estimated useful lives, using the straight-line method, on the following basis:

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

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

At each date of preparation of the interim condensed 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.

2.6 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 interim condensed consolidated statement of comprehensive income for the period of the retirement/disposal except those that relate to sale and leaseback arrangements.

2.7 DEVELOPMENT PROPERTIES

Development properties principally comprise completed projects (including properties held for sale and developed land held for sale) and projects under development (including property projects under construction, land projects under development and land waiting for development). Projects under development include those properties in progress of development or waiting for development to commence.
All development properties 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 development properties will not be realised within 12 months. These have been split between non-current and current development properties.

2.8 IMPAIRMENT OF TANGIBLE ASSETS

At the date of each interim condensed consolidated statement of financial position, 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 fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in the interim condensed consolidated statement of comprehensive income.

2.9 ISLAMIC BORROWING COSTS

Islamic borrowing 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 borrowing costs are recognised in finance costs in the interim condensed consolidated statement of comprehensive income in the period in which they are incurred.

2.10 FINANCIAL INSTRUMENTS

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

Trade receivables
Trade receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest rate method less any provision for impairment. 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. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective commission rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the interim condensed consolidated statement of comprehensive 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 original 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 interim condensed 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 interim condensed consolidated balance sheet date. The unrealized and realized gains and losses from sale of held for trading investments are recorded in the interim condensed consolidated statement of income.

Financial liabilities

Financial liabilities include Islamic Sukuk and Islamic Murabaha and are classified according to the substance of the respective contractual arrangement and are initially measured at their fair value, net of transaction costs. Financial liabilities are subsequently carried at their amortised cost, with commission cost being recognised on an effective yield basis in the interim condensed consolidated statement of comprehensive income over the term of the instrument.

Trade payables

Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method.

Islamic variable financial instruments

The Group initially recognises Islamic variable financial instruments as either a financial asset or a financial liability, at fair value, and subsequently re-measured to their fair value at the end of each reporting period. The accounting for changes in the fair value of an Islamic variable financial instrument depends on the intended use and the resulting designation of the Islamic variable financial instrument. The resulting gain or loss is recognised in the interim condensed consolidated statement of comprehensive income immediately, unless the Islamic variable financial instrument is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

For an Islamic variable financial instrument designated as a fair value hedge, the gain or loss is recognised in the interim condensed consolidated statement of comprehensive income in the period of change together with the offsetting loss or gain on the hedged item attributed to the risk being hedged. Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

2.11 REVENUE RECOGNITION

Revenue represents the sale of development properties and rental activities. Revenue for sale of development properties 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, which is assessed to be at the time of legal completion of the sale or unconditional exchange. Revenue is measured at the fair value of consideration received. With respect to rental income, the Group recognises revenue on a straight line basis over the lease term.

2.12 ZAKAT TAXATION

Zakat is calculated pursuant to Zakat Regulation in the Kingdom of Saudi Arabia and recognised in the interim condensed consolidated statement of comprehensive income in each period. The provision is based on an estimate of Zakat that is adjusted in the financial period in which the final assessment of Zakat is issued. Any change in the estimate resulting from the final assessment is recognised in that period.

2.13 FOREIGN CURRENCIES

Transactions in currencies other than Saudi Riyals, the presentational and functional currency of each subsidiary within the Group, are recorded at the rates of exchange prevailing on the dates of the transactions. At the date of each interim condensed consolidated statement of financial position, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date Non-monetary assets and liabilities carried at fair value, that are denominated in foreign currencies, are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The resulting exchange gains or losses are recognised in the interim condensed consolidated statement of comprehensive income.

2.14 STATUTORY RESERVE

According to the article (125) of the Companies' Regulation, the Group is required to retain 10% of net income in the statutory reserve. The Group may stop the transfers when this reserve reaches 50% of the share capital. This reserve is not available for dividend distribution.

2.15 END OF SERVICE INDEMNITIES

The Group provides end of service benefits to its employees in accordance with the labour law provisions 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, based on the estimated ultimate payment.

2.16 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.

2.17 LEASING

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience, internal controls, advice from external experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting judgments will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial periods are discussed below:

Revenue Recognition

The Group recognises revenue on its development properties when significant risks and rewards of ownership transfer to the buyer, which is assessed to be at the time of legal completion of the sale or unconditional exchange.

With respect to land projects, the Group receives an initial non-refundable deposit with the balance being paid on a deferred basis, which typically does not exceed three months. The Group recognises the full amount of the consideration at the time the sale contract is signed.

With respect to residential and commercial projects, The Group typically receives an initial deposit on the signature of the sales contract and a final payment on delivery of the units. Revenue from the sale of these properties is only recognized when the completed property is delivered to the purchaser.

With respect to rental income, the Group recognises revenue on a straight line basis over the lease term.

Recognition of cost of sales

The Group has developments which typically contain a number of individual projects within each development. In order to determine cost of sales related to properties or units sold during the period, management must estimate and to average the costs of the entire development, including infrastructure costs and overall construction costs. These costs must then be allocated to each project within the development and each unit within a project. These estimates are reviewed regularly on a profit per project basis and revised as necessary. Any significant change in these estimates may result in additional costs being recorded in future periods related to revenue recognised in a prior period.

Classification of properties

The Group's properties are classified as either development properties or investment properties. Management has made various judgments to determine whether a property qualifies as an investment property (properties held to earn rentals and/or for capital appreciation) or as a development property that comprises properties held for sale, developed land held for sale, property projects under construction, land projects under development and land awaiting development. In making its judgment, management considers its intended use of property. When management assess that certain investment properties will be disposed off, their carrying cost will be transferred to development properties as long as they are under development and not generating revenues. Further, at each reporting date management categorises individual projects as long term or short term depending on its estimated completion date. If a completion date is expected to be within a year of the interim condensed consolidated statement of financial position date, the project is classified as current.

Investment Properties

Investment properties are the interests in land and/or buildings that are held for their investment potential for generating lease revenues and/or capital appreciation or both. These are not used for generating sales revenues through normal business operations. The investment properties are initially recognised at cost and the cost of an acquisition is measured at fair value of the assets acquired / transferred. All developments costs directly attributable to the properties are capitalized to derive the total cost. Current carrying cost represents total cost for under construction properties and for the completed properties it is total cost less accumulated depreciation. During the construction phase the management does not believe the fair values are reliably determinable, however the group encourages independent valuation for the completed properties, to assess their fair value, wherever appropriate and reliable. Any sustained depletion in the fair value of a property compared to its current cost is recognised as impairment loss in the interim condensed consolidated statement of comprehensive income.

Carrying value of development properties

The Group's principal activity is currently the development and sale of land and the development and sale of residential and commercial property. Due to the nature of this activity, much of the development is speculative in nature. Accordingly, the interim condensed consolidated statement of financial position at 31 December 2013 reflects current assets that are not covered by forward sales contracts.

The Group assesses the net realisable value of its investment properties and its development properties at each reporting date. This assessment is based on a profit per project basis and compares the carrying and future costs to the expected selling price per unit based on historical activities. As a result of this process, there have been no instances where the estimated net realisable value of the site was less than its current carrying value within the interim condensed consolidated statement of financial position. A change of these estimates in the future could have an impact on the valuation of the development properties.

4. REPORTING SEGMENTS

Management has organised the Group into three segments. Management develops its strategic planning and business model around these segments that consist of:

- Projects – the development of basic infrastructure on undeveloped land ("Land Projects") and the development of residential and commercial projects and the sale of units on such projects ("Residential and Commercial Projects").
- Investments – the investment in companies that Management believes are complementary to the Group's real estate development operations.
- Properties – management of properties that the Group has retained as rental properties including commercial and residential units on its Master-Planned Communities.

The Group does not allocate share of profits of associates, general administration, selling and marketing costs including directors' salaries, finance costs, other income and Zakat expense to its segments. Substantially all of segment operating activity (including revenue and costs) for the three month period ended 31 March 2014 and 2013 was generated from the Projects segment and as a result there is no breakout provided of revenue and segment profit by segment. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.

The Group operates exclusively in Saudi Arabia and all its revenues are derived from its portfolio of properties which the Group manages.

Major products
The revenue and gross margin from sales of land, sales of residential and commercial projects and leasing of properties are presented below:

	Three-month period ended	
	31 March 2014 (Unaudited)	**31 March 2013 (Unaudited)**
	SR 000	**SR 000**
REVENUES		
Sales of land	**892,868**	810,905
Leasing of properties	**31,221**	24,916
Total	**924,089**	835,821
COST OF REVENUES		
Land	**505,651**	451,228
Leasing of properties	**15,669**	9,012
Total	**521,320**	460,240
GROSS PROFIT		
Land	**387,217**	359,677
Leasing of properties	**15,552**	15,904
Total	**402,769**	375,581

5. INVESTMENT PROPERTIES, NET

	Three-month period ended 31 March 2014 (Unaudited)	Year ended 31 December 2013 (Audited)
	SR 000	SR 000
COST		
At beginning of the period/year	**2,788,535**	2,784,469
Additions during the period/year	**885,274**	4,066
At end of the period/year	**3,673,809**	2,788,535
ACCUMULATED DEPRECIATION		
At beginning of the period/year	**93,897**	47,409
Charge during the period/year	**12,519**	46,488
At end of the period/year	**106,416**	93,897
CARRYING AMOUNT AT THE END OF THE PERIOD/YEAR	**3,567,393**	2,694,638

Included within investment properties is land with an original cost of SR 578.1 million (31 December 2013: SR 578.1 million).

6. DEVELOPMENT PROPERTIES

	Three-month period ended 31 March 2014 (Unaudited)	Year ended 31 December 2013 (Audited)
	SR 000	SR 000
Property projects under development	**2,438,055**	**2,718,238**
Developed land	**1,903,036**	**1,936,614**
Land projects under development	**10,442,023**	**10,926,521**
Non-current assets	**14,783,114**	**15,581,373**
Property projects under development	**44,418**	**44,529**
Developed land	**924,937**	**927,110**
Current assets	**969,355**	**971,639**
Total development properties	**15,752,469**	**16,553,012**

Included within Land projects under development is land worth SR 4.43 billion (31 December 2013: SR 4.86 billion), which represents the Group's share of co-ownership with third parties according to the contracts of land development.

During the period the Group's management and directors conducted an internal review and valuation of the real estate portfolio consisting of investment properties and development properties which resulted in a fair value amounting to SR 29.45 billion (December 31, 2013: SR 29.45 billion) for a total cost of SR 19.25 billion (December 31, 2013: SR 19.25 billion), indicating an average uplift of 53% across the real estate portfolio. The management believes that the resultant uplift on the book value is a realistic indication of the fair value of the properties of the Group.

The movement in development properties during the three-month period ended 31 March 2014 and year ended 31 December 2013 is as follows:

Non-current assets	**Property projects under development**	**Developed land**	**Land projects under development**	**Total**
	SR 000	**SR 000**	**SR 000**	**SR 000**
2014				
Balance at 1 January 2014	**2,718,238**	**1,936,614**	**10,926,521**	**15,581,373**
Additions	**83**	**80,000**	**109,175**	**189,258**
Capitalisation of borrowing costs	**8,634**	**-**	**-**	**8,634**
Transfers	**-**	**-**	**(492,673)**	**(492,673)**
Disposals	**(288,900)**	**(113,578)**	**(101,000)**	**(503,478)**
Balance at 31 March 2014	**2,438,055**	**1,903,036**	**10,442,023**	**14,783,114**
2013				
Balance at 1 January 2013	3,214,085	2,124,441	9,530,130	14,868,656
Additions	25,636	43,187	2,285,804	2,354,627
Capitalisation of borrowing costs	88,539	-	-	88,539
Disposals	(610,022)	(231,014)	(889,413)	(1,730,449)
Balance at 31 December 2013	2,718,238	1,936,614	10,926,521	15,581,373

Current assets	**Property projects under development**	**Developed land**	**Total**
	SR 000	**SR 000**	**SR 000**
2014			
Balance at 1 January 2014	**44,529**	**927,110**	**971,639**
Additions/ adjustments	**(111)**	**-**	**(111)**
Disposals	**-**	**(2,173)**	**(2,173)**
Balance at 31 March 2014	**44,418**	**924,937**	**969,355**
2013			
Balance at 1 January 2013	46,702	844,332	891,034
Additions	(1,810)	83,575	81,765
Disposals	(363)	(797)	(1,160)
Balance at 31 December 2013	44,529	927,110	971,639

7. PROPERTY AND EQUIPMENT, NET

Three –month period ended 31 March 2014 (Unaudited)	Land and buildings	Leasehold improvement	Vehicles	Machinery and tools	Office equipment	Total
	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000
COST						
Balance at 1 January 2014	**109,145**	**19,037**	**9,250**	**13,536**	**40,118**	**191,086**
Disposal for the period	-	-	(46)	-	-	(46)
Additions for the period	-	-	-	-	101	101
Balance at 31 March 2014	**109,145**	**19,037**	**9,204**	**13,536**	**40,219**	**191,141**
ACCUMULATED DEPRECIATION						
Balance at 1 January 2013	**36,091**	**18,970**	**9,248**	**13,442**	**38,965**	**116,716**
Depreciation for the period	754	19	-	10	143	926
Disposal for the period	-	-	(46)	-	-	(46)
Balance at 31 December 2013	**36,845**	**18,989**	**9,202**	**13,452**	**39,108**	**117,596**
CARRYING AMOUNT AT 31 December 2013	**72,300**	**48**	**2**	**84**	**1,111**	**73,545**

Year ended 31 December 2013 (Audited)	Land and buildings	Leasehold improvements	Vehicles	Machinery and tools	Office equipment	Total
	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000
COST						
Balance at 1 January 2013	109,145	19,037	9,250	13,536	39,411	190,379
Additions for the year	-	-	-	-	707	707
Balance at 31 December 2013	109,145	19,037	9,250	13,536	40,118	191,086
ACCUMULATED DEPRECIATION						
Balance at 1 January 2013	33,075	18,866	9,184	13,404	38,176	112,705
Charge for the year	3,016	104	64	38	789	4,011
Balance at 31 December 2013	36,091	18,970	9,248	13,442	38,965	116,716
CARRYING AMOUNT AT 31 DECEMBER 2013	73,054	67	2	94	1,153	74,370

8. INVESTMENTS IN ASSOCIATES

Investments in associates represents investments in share of companies, where the Group exercises significant influence. The shares of these companies are not publicly traded. The Group's ownership in these privately owned companies ranges from 15% to 51%. For entities where the investment is less than 20%, management believes that it is able to exert significant influence due to its involvement at board level. Movement in investments in associates is as follows:

a. ***Investments in associates*:**

	Three-month period ended 31 March 2014 (Unaudited)	Year ended 31 December 2013 (Audited)
	SR 000	SR 000
Investments, beginning of period/year	**747,407**	744,157
Share of profit during the period/year	**5,500**	3,250
Investments, end of period/year	**752,907**	747,407

b. 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 (i)	**525,547**	**51%**
Accumulated share of profits	**5,360**	
Balance, end of the period	**752,907**	

c. Summarised financial information in respect of the Group's associates is set out below:

	Three-month period ended 31 March 2014 (Unaudited)	Year ended 31 December 2013 (Audited)
	SR 000	SR 000
Total assets	**4,411,645**	4,294,648
Total liabilities	**(2,603,890)**	(2,519,817)
Net assets	**1,807,755**	1,774,831
Group's share of net assets of associates	**752,907**	747,407
Total revenue for the period/year	**30,411**	146,199
Total profit for the period/year	**16,460**	69,614
Group's share of profit for the period/year	**5,500**	3,250

Details of transactions with associates are disclosed under note 19 "Related Party Transactions" of these interim condensed 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.

9. TRADE RECEIVABLES AND OTHERS

	Three-month period ended 31 March 2014 (Unaudited)	Year ended 31 December 2013 (Audited)
	SR 000	SR 000
Trade receivables – net provision for doubtful debts of SR 12.34 million (31 December 2013: SR 4.48 million)	**1,693,417**	1,364,297
Advance payments to purchase land	**462,982**	409,400
Prepayments and others	**85,362**	74,801
Trade receivables – related party (note 19a)	**193**	143
Short term investment- trading (note 9a)	**1,693**	-
	2,243,647	1,848,641

The fair value of financial assets included above approximates the carrying amount. The maximum credit taken for sales is less than 90 days, which also represents the maximum ageing of trade receivables. No penalties are charged for delayed payments.

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 period is detailed below:

	Three-month period ended 31 March 2014 (Unaudited)	Year ended 31 December 2013 (Audited)
	SR 000	SR 000
Purchased / sold during the period	**830**	-
	830	-
Realised gains	**933**	-
Commissions	**(70)**	-
Balance, end of the period	**1,693**	-

Investment includes SR 1.7 million as at 31 March 2014 (31 December 2013 SR nil) representing cash deposit held with the fund manager. The funds are expected to be invested in the subsequent periods.

10. LONG-TERM BORROWINGS

	Three-month period ended 31 March 2014 (Unaudited)	Year ended 31 December 2013 (Audited)
	SR 000	SR 000
Islamic Sukuk	**4,600,000**	4,600,000
Islamic Murabaha	**1,467,976**	1,389,321
	6,067,976	5,989,321
Less: Un-amortised transaction costs (note 10 b)	**(93,080)**	(85,744)
Borrowings end of the period/year	**5,974,896**	5,903,577
Less: Short-term borrowings	**(2,052,479)**	(744,308)
Long-term borrowings	**3,922,417**	5,159,269

a. Repayable as follows:

	Three-month period ended 31 March 2014 (Unaudited)	Year ended 31 December 2013 (Audited)
	SR 000	SR 000
Within one year	**2,061,905**	754,632
In the second year	**542,500**	2,250,105
In the third to fifth years inclusive	**3,463,571**	2,984,584
	6,067,976	5,989,321

b. Islamic borrowings transaction costs:

	Three-month period ended 31 March 2014 (Unaudited)	Year ended 31 December 2013 (Audited)
	SR 000	SR 000
Balance, beginning of the period/year	**85,744**	**55,962**
Additions during the period/year	**15,925**	**63,068**
Capitalisation during the period/year	**(392)**	**(5,764)**
Amortisation charge for the period/year	**(8,197)**	**(27,522)**
Balance, end of the period/year	**93,080**	**85,744**

c. Analysis of borrowings:

Islamic Sukuk

This represents SR 4.60 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 International Sukuk Company II at 10.75% and maturing in 2015.

2) 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.

3) 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.

4) SR 750 million of Islamic Sukuk issued by the Group maturing in 2014 of which SR 650 million repaid and cancelled during 2013 resulting an outstanding of SR 100 million as at 31 March 2014.

The first three of the above listed Islamic Sukuks 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 facility due in 2015 has index linked commission rate swap arrangements which effectively reduce the fixed rate commission (Note 11).

The Sukuk agreements include financial covenants, which the Group was in compliance with as at 31 March 2014.

Islamic Murabaha

This represents the bilateral Murabaha facilities from local and international commercial banks, secured against certain real estate properties, in the form of Islamic Murabaha, letters of guarantee and letters of credit. These facilities comprise of long- term and short- term tenures ranging from 6 months to 4 years with various repayment schedules like annual roll revolvers, bullet payments and instalment 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
2014	**83,571**	**83,571**	**-**
2015	**88,477**	**-**	**88,477**
2016	**506,042**	**190,834**	**315,208**
2018	**789,886**	**-**	**789,886**
TOTAL	**1,467,976**	**274,405**	**1,193,571**

The total weighted average effective annual commission rate for the three month period ended 31 March 2014 is 7.5% (31 December 2013: 7.6%)

The facility agreements include certain financial covenants, which the Group was in compliance with as at 31 March 2014.

11. COMMISSION RATE SWAP

The Group, through a shari'ah compliant arrangement, agreed to exchange fixed rate commission liability with floating rate commission amounts, calculated on agreed notional principal amounts. In July 2012, the Group has 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 Group uses the following hierarchy for determining and disclosing the fair value of financial instruments;

- Level 1: Quoted prices in active markets for the same instrument (i.e., without modification or additions);
- Level 2: Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data and
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

During October 2013, considering the steady upward change of commission rate and to avoid losses, the Group had cancelled and closed one of its index linked commission rate swap capped at 12.55%.

The cumulative fair value of this agreement which does not qualify for hedge accounting in accordance with generally accepted accounting standards amounted to SR nil (USD nil) (31 March 2013: SR 7.80 million (USD 2.08 million). The change in the fair value during the period amounting to SR 2.0 thousand (USD 0.5 thousand) has been recognised as other expense in the interim condensed consolidated statement of comprehensive income (SR 17.84 million (USD 4.75 million) for the period ended 31 March 2013).

12. END OF SERVICE INDEMNITIES

The Group provides end of service benefits to its employees in accordance with the labour law provision in Saudi Arabia. The total cost charged to the interim condensed consolidated statement of comprehensive income for the three month period ended 31 March 2014 was SR 0.6 million (31 March 2013: SR 0.76 million).

13. TRADE PAYABLES AND OTHERS

	Three-month period ended 31 March 2014 (Unaudited)	Year ended 31 December 2013 (Audited)
	SR 000	SR 000
Trade payables	**233,010**	267,098
Due to related parties (note 19b)	**196,434**	196,246
Unearned revenue	**47,071**	68,399
Accruals	**107,289**	115,849
Unpaid dividend	**35,495**	35,749
	619,299	683,341

Trade payables and others principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days (31 December 2013: 30 days).

The fair value of financial liabilities included above approximates the carrying amount.

14. CURRENT TAX LIABILITIES (ZAKAT)

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

	Three-month period ended 31 March 2014 (Unaudited)	Year ended 31 December 2013 (Audited)
	SR 000	SR 000
Balance beginning of the period/year	**600,245**	644,069
Estimated Zakat for the period/year	**7,278**	17,528
Payment made during the period/year	**(10,000)**	(61,352)
Estimated Zakat provision, end of the period/year	**597,523**	600,245

b) The Company has received the assessments from DZIT for the years 2003 to 2009 and has filed an objection for the years 2008 and 2009 which is issued with an additional zakat liability. The basis for this additional liability is being formally contested by the Company and is awaiting a response from DZIT. The management believes that the ultimate outcome of the appeals filed and actions taken by the Company cannot be determined reliably at this stage, however, the carrying provisions are sufficient to meet any additional liability, if required. The Company has not received DZIT assessment for year 2010 and 2011. The filing of the consolidated zakat return for years 2012 and 2013 are currently under process.

15. SHARE CAPITAL

	Three-month period ended 31 March 2014 (Unaudited)	Year ended 31 December 2013 (Audited)
	SR 000	SR 000
Authorised:		
1,080,000,000 ordinary shares of SR 10 each (31 December 2013: 1,080,000,000)	**10,800,000**	10,800,000
Issued and fully paid shares of SR 10 each		
At the start of the period/year	**10,800,000**	10,800,000
At the end of the period/year	**10,800,000**	10,800,000

The Group has one class of ordinary shares which carry no right to fixed income.

16. FINANCE COSTS

	Three-month period ended	
	31 March 2014 (Unaudited)	31 March 2013 (Unaudited)
	SR 000	SR 000
Charges on Sukuk	**82,904**	26,538
Charges on Islamic Murabaha	**22,065**	36,766
Amortisation of finance costs	**8,197**	4,973
	113,166	68,277

During the three month period ended 31 March 2014 the Group had annual weighted average capitalisation effective rate of 0.73% (31 March 2013: 3.16%).

17. EARNINGS PER SHARE

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

	Three-month period ended	
	31 March 2014 (Unaudited)	31 March 2014 (Unaudited)
	SR 000	SR 000
Earnings		
For the purpose of basic earnings per share (Net profit for the period)	**247,857**	237,611
Number of shares	**Number**	**Number**
Weighted average number of ordinary shares For the purposes 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.

18. OPERATING LEASE ARRANGEMENTS

The minimum lease payments under non-cancellable operating lease rentals are as follows:

	Three-month period ended 31 March 2014 (Unaudited)	Year ended 31 December 2013 (Audited)
	SR 000	SR 000
Amounts due:		
Within one year	**448**	272
Between one and five years	**425**	647
After five years	**117**	217
	990	1136

19. RELATED PARTY TRANSACTIONS

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

a) Due from related parties

During the period, the Group sold residential homes to individuals who sought financing from Saudi Home Loans, which is an associate to the Group. In these instances, Saudi Home Loans pays the consideration in respect of the residential property sale to the Group on behalf of the individual. There is no recourse to the Group if such lending by Saudi Home Loans results in non performing receivables. The details of the transactions, included in trade receivable (refer note # 9) are as follows:

	Three-month period ended 31 March 2014 (Unaudited)	Year ended 31 December 2013 (Audited)
	SR 000	SR 000
Balance, beginning of the period/year	**143**	143
Sales/ debits during the period/year	**50**	-
Balance, end of the period/year	**193**	143

b) Due to related parties

The Khozam Real Estate Development Company (KDC) management requested to invest excess cash balance of KDC with the group at a nominal profit. The details of the transactions, included in trade payable and other (refer note # 13) are as follows:

	Three-month period ended 31 March 2014 (Unaudited)	Year ended 31 December 2013 (Audited)
	SR 000	SR 000
Balance, beginning of the period/year	**196,246**	198,101
Expenses/assets	**-**	0
Repayment of advances	**(302)**	(3,815)
Profit charged	**490**	1,960
Balance, end of the period/year	**196,434**	**196,246**

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 trade payable under trade payable and others (refer note # 13) are as follows:

	Three-month period ended 31 March 2014 (Unaudited)	Year ended 31 December 2013 (Audited)
	SR 000	SR 000
Balance, beginning of the period/year	**1,296**	**-**
Fees & expenses charged for the period/year	**-**	6,733
Amount paid during the period/year	**-**	(5,437)
Balance, end of the period/year	**1,296**	1,296

For the three month period ended 31 March 2014 and the year ended 31 December 2013, no other transactions are entered into with entities that have common Board Members or Shareholders to the Group.

In addition, the Group entered into certain other transactions with related parties that did not have a significant impact on the financial position or comprehensive income of the Group.

See also note 8.

20. RETIREMENT BENEFIT PLANS

The Group makes payments to defined contribution retirement benefit plans in the form of the General Organisation of Social Insurance that are charged as an expense as they fall due. Payments are made on the basis of a percentage of qualifying salary for certain employees to this state-managed scheme.

The total cost charged to the interim condensed consolidated statement of comprehensive income for the three month period ended 31 March 2014 was SR 0.64 million (31 March 2013: SR 0.76 million), and the outstanding contribution as at 31 March 2014 is SR 164 thousand (31 March 2013: SR 169 thousand).

21. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to its parent company through optimisation of debt and equity balances. The Group's overall strategy remains unchanged from 2007, when the Group diversified its sources of funding and issued two medium term Sukuks ranging from 3-5 years. Considering the track record of timely repayment of the first two sukuks and the group expertise developed over the past five years to access international markets for shariah' compliant funding, the management continue to maintain its relationship with the capital markets and monitor the markets for future issuance. The Group adhere to international best practices in corporate governance and consider the capital market transactions to create additional shareholders value.

The capital structure of the Group consists of net debt (borrowings adjusted with cash and cash equivalents) and equity (comprising share capital, statutory reserve, and retained earnings). The Group is not subject to any externally imposed capital requirements.

Gearing ratio

The Group consistently monitors its gearing ratio, to ensure compliance with external covenant requirements.

22. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities are mainly comprised of Islamic Murabaha (term and annual revolving) facilities taken from banks, issue of Islamic Sukuk, trade payable and other payables to contractors and suppliers. The paramount objectives of these financial instruments are to raise the funding base for various projects as well as for the working capital requirement of the Group.

The Group also has financial assets in the form of bank deposits, cash in hand, due from related parties and trade and other receivables, which are integral and directly derived out of its regular business. On the reporting date the Group has not entered into any non-Islamic financial variable instrument contracts by way of currency hedging, commission rate swap agreements or similar instruments.

The Group's financial operations are subject to the following risks:

1. Credit Risk
2. Commission Rate Risk
3. Liquidity Risk
4. Foreign Currency Risk
5. Islamic financial variable instrument

Credit Risk

The Credit Risk can be defined as a loss of value of an asset as a result of a failure by a customer or a counter party to such commercially valid and legally enforceable contract to comply with its obligations.

The general sales policy of the Group is "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 respect to the credit risk exposure of other financial assets, namely, due from related parties, bank deposits and trade and other receivables, the maximum credit risk of the Group is limited to their carrying values, in case there is a failure of the other party to meet its obligation.

As of the reporting date, the Group does not have significant credit risk concentration with any single party or a group.

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 Sukuk borrowings and other 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 a specific shariah' complaint commission rate swap contract to manage its commission rate risk. 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 & SAIBOR.

The commission rate sensitivity analysis is performed based on the commission rate exposure of the Group for floating rate liabilities outstanding at the end of the interim condensed consolidated statement of financial position date. The calculations are done on floating commission rates assuming the liabilities outstanding for a whole year as at the interim condensed consolidated statement of financial position date.

During the period under review the average rate of 3 months LIBOR varied between 0.24% and 0.23% (0.27 % and 0.30 % for 2013) and SAIBOR varied between 0.96% and 0.95% (0.99% and 0.97 % for 2013).

The sensitivity of commission variance on the Group's external borrowings which affects the interim condensed consolidated financial statements of the Group is shown below:

	Three-month period ended 31 March 2014 (Unaudited)	Year ended 31 December 2013 (Audited)
	SR 000	SR 000
+ 25 basis points	15,170	14,973
- 25 basis points	(15,170)	(14,973)

The net profit of the Group for the reported period would have been affected by the above amount as a result of such changes in floating commission rates. Due to the capitalisation of borrowing costs directly attributed to projects in progress, there would be timing differences on such an impact to the Group's current profit and loss account and the current impact would be limited to around 10%, as historically, the management capitalises approximately 10% of borrowing costs to projects in progress as explained in note 2.9.

Liquidity Risk
Liquidity Risk can result from a difficulty to meet the financial commitments and obligations of the Group as per the agreed terms and covenants.

To mitigate the liquidity risk and associated losses of business and brand value opportunities; the Group, where possible, keeps sufficient liquid assets in all business conditions. The Group refrains from funding its long term capital requirements through short term borrowings and related party current account transactions. Currently the long term projects are funded from long term or revolving borrowings only. The Group also has a dynamic cash flow assessment policy and system by which it can estimate and plan the maturities as well as required resources to meet such obligations.

The total weighted average effective annual commission rate for the three month period ended 31 March 2014 is 7.5% (31 December 2013: 7.6%)

See notes 10 and 13 for further details.

Foreign Currency Risk
Foreign Currency Risk is associated with the change in the value of the carrying value in the functional currency due to the variation of the underlying foreign currency obligation or right by way of transaction or translation reasons. The functional currency of the Group is the Saudi Riyal that is pegged against the US Dollar with a fixed exchange rate of 3.75 Saudi Riyals per US Dollar. Since transactions, other than US Dollars, are negligible; the Group does not assume any significant foreign currency risk.

Islamic financial variable Instruments Risk
As part of its asset and liability management, the Group uses Islamic finance variable instruments for hedging its exposure to commission rate and cash flow risks. This is generally achieved by hedging specific transactions. The Group uses Islamic finance variable instruments primarily to manage exposures to foreign currency and commission rate risks. The Group's principal objective in holding Islamic finance variable instruments is to reduce the cash outflows associated with changes in foreign currency and fixed commission rates. The Group's Islamic finance variable instruments are exposed to credit risk to the extent of that counterparty's inability to meet the contractual obligations. The Group mitigates such risks by dealing with major financial institutions as its counterparties. The group Management does not expect any material losses or risk from the default of counterparties as the potential risk of such defaults is periodically monitored.

23. COMMITMENTS

To complete the long term construction and development of investment and development properties, the Group have committed to a number of contractual arrangements and agreements. Such contracts are cancellable at the Group's discretion with no penalties. The estimated uncompleted contracts outstanding as at 31 March 2014 amounts to SR 81 million (31 December 2013: SR 85 million).

These commitments are expected to be settled within the duration of the projects in progress and shall be funded through prospective property sales and external borrowings, if necessary.

24. CONTINGENCIES

During the normal course of business there are general litigations and legal claims. Management takes legal advice as to the likelihood of success of claims and no provision is made when the action is unlikely to succeed.

At 31 March 2013, there were no significant claims notified (31 December 2013: None).

25. INTERIM RESULTS

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