DAR AL ARKAN
REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REVIEW REPORT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

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INDEPENDENT AUDITORS' 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 consolidated statement of financial position of Dar Al Arkan Real Estate Development Company (A Saudi joint stock company) (the "Company") as at June 30, 2009 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes 1 to 25 which form an integral part of these interim consolidated financial statements.

Management's Responsibility for the Interim Consolidated Financial Statements

These interim consolidated financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" and submitted to us together with all the information and explanations which we required.

Scope of review

Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

We conducted our review in accordance with International Standard on Review Engagements 2410. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with International Accounting Standard No. 34 "Interim Financial Reporting".

Deloitte & Touche
Bakr Abulkhair & Co.

Ehsan A. Makhdoum
License No. 358
25 Rajab 1431
7 July 2010

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Notes	30 June 2010 (Unaudited) SR 000	31 December 2009 (Audited) SR 000
ASSETS			
Non-current assets			
Investment properties	5	**1,688,883**	1,518,167
Development properties	6	**16,659,809**	16,446,080
Property and equipment	7	**96,580**	102,933
Investments in associates	8	**1,162,360**	1,162,360
Other assets		**2,436**	2,956
		19,610,068	19,232,496
Current assets			
Development properties	6	**742,300**	964,059
Trade receivables and others	9	**1,525,643**	1,081,427
Cash and cash equivalents		**1,300,721**	2,223,495
		3,568,664	4,268,981
TOTAL ASSETS		**23,178,732**	23,501,477
LIABILITIES AND EQUITY			
Non-current liabilities			
Long-term borrowings	10	**6,705,465**	5,571,669
End of service indemnities	12	**12,926**	12,038
		6,718,391	5,583,707
Current liabilities			
Short-term borrowings	10	**1,000,000**	2,687,760
Trade payables and others	13	**1,001,701**	546,019
Current tax liabilities (Zakat)		**579,074**	560,074
		2,580,775	3,793,853
Equity			
Share capital	14	**10,800,000**	10,800,000
Statutory reserve		**462,268**	462,268
Retained earnings		**2,352,557**	2,596,908
Equity attributable to Dar Al Arkan shareholders		**13,614,825**	13,859,176
Non-controlling interests from Group subsidiaries		**264,741**	264,741
		13,879,566	14,123,917
TOTAL LIABILITIES AND EQUITY		**23,178,732**	23,501,477

Managing Director

Chief Financial Officer

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

	Notes	Six-month period ended 30 June 2010 SR 000	2009 SR 000
REVENUE		**2,259,375**	2,720,084
Cost of sales		**(1,250,099)**	(1,494,426)
GROSS PROFIT	4	**1,009,276**	1,225,658
General, administrative, selling and marketing expenses		**(61,047)**	(63,682)
Depreciation		**(8,129)**	(10,127)
OPERATING PROFIT		**940,100**	1,151,849
Finance costs	15	**(111,401)**	(88,031)
Other income		**25,950**	1,966
PROFIT BEFORE ZAKAT		**854,649**	1,065,784
Zakat expense		**(19,000)**	(23,000)
NET PROFIT FOR THE PERIOD		**835,649**	1,042,784
Attributable to:			
Dar Al Arkan shareholders		**835,649**	1,042,784
Non-controlling interests from Group subsidiaries		**-**	-
		835,649	1,042,784
Earnings per share (in Saudi Riyals)			
Basic and diluted	16	**0.77**	0.97

Managing Director

Chief Financial Officer

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

	Share capital SR 000	Statutory reserve SR 000	Retained earnings SR 000	Dar Al Arkan share-holders' equity SR 000	Non-Controlling interest SR 000	Total equity SR 000
For the six-month period ended 30 June 2010						
Balance as at 1 January 2010	10,800,000	462,268	2,596,908	13,859,176	264,741	14,123,917
Dividends (note 17)	-	-	(1,080,000)	(1,080,000)	-	(1,080,000)
Net profit for the period	-	-	835,649	835,649	-	835,649
Balance as at 30 June 2010	**10,800,000**	**462,268**	**2,352,557**	**13,614,825**	**264,741**	**13,879,566**
For the six-month period ended 30 June 2009						
Balance as at 1 January 2009	7,200,000	3,600,000	936,497	11,736,497	-	11,736,497
Net profit for the period	-	-	1,042,784	1,042,784	-	1,042,784
Balance as at 30 June 2009	**7,200,000**	**3,600,000**	**1,979,281**	**12,779,281**	-	**12,779,281**

Managing Director

Chief Financial Officer

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

	Six-month period ended 30 June	
	2010	2009
	SR 000	SR 000
OPERATING ACTIVITIES		
Profit before Zakat	**854,649**	1,065,784
Adjustment for:		
Depreciation	**8,129**	10,127
End of service indemnities	**2,358**	2,062
Finance costs	**111,401**	88,031
Share of losses from investment in associates	-	(400)
Operating cash flows before movements in working capital	**976,537**	1,165,604
Development properties	**8,030**	(2,296,388)
Trade receivables and others	**(444,216)**	912,526
Other assets	**520**	347
Trade payables and others	**455,682**	194,576
Cash from/(used in) operations	**996,553**	(23,335)
Finance costs	**(98,549)**	(78,606)
End-of-service indemnities paid	**(1,470)**	(654)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**896,534**	(102,595)
INVESTING ACTIVITIES		
Investments in associates	-	(32,000)
Investment properties	**(171,091)**	(784,397)
Purchase of property and equipment	**(1,401)**	(1,034)
NET CASH USED IN INVESTING ACTIVITIES	**(172,492)**	(817,431)
FINANCING ACTIVITIES		
Islamic borrowings	**(566,816)**	663,766
Dividends	**(1,080,000)**	-
NET CASH (USED IN)/ FROM FINANCING ACTIVITIES	**(1,646,816)**	663,766
DECREASE IN CASH AND CASH EQUIVALENTS	**(922,774)**	(256,260)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	**2,223,495**	716,475
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	**1,300,721**	460,215

Managing Director

Chief Financial Officer

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

1. GENERAL INFORMATION

Dar Al Arkan Real Estate Development Company is an Islamic Shar'iah compliant 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 16/04/1421 H, 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 and sale 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:

Name of the Company	Country of establishment	Ownership %	Main Activity
Dar Al-Arkan Properties Co. (Limited liability company)	K.S.A	100	Property management
Dar Al-Arkan Projects Co. (Limited liability company)	K.S.A	100	Development of residential and commercial properties
Dar Al-Arkan Commercial Investments Co. (Limited liability company)	K.S.A	100	Real Estate investments
Dar Al-Arkan Sukuk Co. (Limited liability company)	K.S.A	100	Real Estate investments and Development
Sukuk Al-Arkan Co. (Limited liability company)	K.S.A	100	Real Estate Development and Maintenance

Non-controlling Interest

The Group has invested in Khozam Real Estate Development Company, a majority owned subsidiary and maintained control of the operations. This subsidiary is consolidated within these interim financial statements, with a 49% non-controlling interest attributed to the Jeddah Development and Urban Regeneration Company. The Jeddah Development and Urban Regeneration Company contributed SR 265 million for its share of the Company's capital, which is reflected as non-controlling interest. The Company was created in October 2009 and there have been no revenues or expenses for the period ended December 31, 2009 and the six-month period ended 30 June 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim 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 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 2010. The adoption of these interpretations has not led to any changes in the Group's accounting policies or disclosures provided in the interim 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 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 consolidated financial statements of the Group.

	Effective for annual periods beginning on or after
IFRS 9, 'Financial instruments	January 1, 2013
Revised IAS 24, 'Related party disclosures'	1 January 2011
(Amendment to IAS 32) 'Classification of rights issues'	1 February2010
(Amendments to IFRIC 14) 'Prepayments of a minimum funding requirement'	1 January 2011
IFRIC 19, 'Extinguishing financial liabilities with equity instruments'	1 July 2010.

2.3 ACCOUNTING CONVENTION

The interim consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets at fair value, the principal accounting policies are set out below.

2.4 BASIS OF CONSOLIDATION

The interim consolidated financial statements of the Group incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 30 June 2010.

Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit to the Group. 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 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 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.

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 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:

Freehold buildings	3%
Plant and machinery	20%
Office equipment	20% - 25%
Leasehold improvements	5% - 20%
Vehicles	25%

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

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

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

2.6 INVESTMENT PROPERTY

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

Buildings	3%

Gains or losses arising from the retirement or disposal of investment properties being the difference between the net disposal proceeds and carrying value are included in the interim consolidated statement of 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 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 consolidated statement of comprehensive income.

2.9 BORROWING COSTS

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 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 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 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 interim 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.

Derivative financial instruments

The Group initially recognises derivative 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 a derivative depends on the intended use and the resulting designation of the derivative. The resulting gain or loss is recognised in the consolidated statement of comprehensive income immediately, unless the derivative 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 a derivative 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. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and significant risks and rewards of ownership have been transferred to the buyer, which it has 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.

2.12 ZAKAT TAXATION

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

2.15 END OF SERVICE INDEMNITIES

The Group provides end of service benefits to its employees in accordance with the labour law provision of Saudi Arabia. The entitlement to these indemnities is based upon the employee's final salary, length of service and the completion of a minimum service period. The costs of these indemnities are accrued over the period of employment, 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 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 period 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 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 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 consolidated statement of financial position date, the project is classified as current.

Investment Properties

Investment property is recognised at cost while under construction as management does not believe that the fair value of the property is reliably determinable during the construction phase. Upon completion of construction, or if the fair value becomes reliably determinable during construction, the investment property is adjusted to fair value. At that time, any amount above the original cost is recognised as an increase in fair value of investment properties on the interim consolidated statement of comprehensive income. At 30 June 2010, substantially all of the Group's investment properties were still under construction, and accordingly recognised at cost.

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 consolidated statement of financial position at 30 June 2010 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 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 residential 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 periods ended 30 June 2010 and 2009 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 is derived from its portfolio of properties which the Group manages.

Major products

The revenue and gross margin from sales of land and sales of residential properties by projects is presented below:

	Six-month period ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
	SR 000	SR 000
REVENUES		
Sales of residential properties	**252,213**	271,720
Sales of land	**2,007,162**	2,448,364
Total	**2,259,375**	2,720,084
COST OF SALES		
Residential properties	**218,219**	211,250
Land	**1,031,880**	1,283,176
Total	**1,250,099**	1,494,426
GROSS PROFIT		
Residential properties	**33,994**	60,470
Land	**975,282**	1,165,188
Total	**1,009,276**	1,225,658

5. INVESTMENT PROPERTIES

	Six-month period ended 30 June 2010 (Unaudited)	Year ended 31 December 2009 (Audited)
	SR 000	SR 000
COST		
At beginning of the period/year	**1,521,913**	594,234
Additions	**153,135**	878,151
Capitalisation of borrowing costs	**17,956**	49,528
At end of the period/year	**1,693,004**	1,521,913
ACCUMULATED DEPRECIATION		
At beginning of the period/year	**3,746**	2,996
Charge during the period/year	**375**	750
At end of the period/year	**4,121**	3,746
CARRYING AMOUNT AT THE END OF THE PERIOD/YEAR	**1,688,883**	1,518,167

Included within investment properties is land with an original cost of SR 378.1 million (31 December 2009: SR 378.1 million). The fair market value of the investment properties is considered to be the carrying value, as the investment properties are currently under construction and their fair value cannot be reliably estimated until completion.

6. DEVELOPMENT PROPERTIES

	30 June 2010 (Unaudited) SR 000	31 December 2009 (Audited) SR 000
Property projects under development	**3,524,261**	3,345,670
Developed land	**3,709,670**	4,171,653
Land projects under development	**9,425,878**	8,928,757
Non-current assets	**16,659,809**	16,446,080
Property projects under development	**471,235**	677,431
Developed land	**271,065**	286,628
Current assets	**742,300**	964,059
Total development properties	**17,402,109**	17,410,139

Included within Land projects under development is land worth SR 3.68 billion (31 December 2009: SR 3.68 billion), which represents the Group's share of co-ownership with third parties according to the contracts of land development.

The movement in development properties during the six-month period ended 30 June 2010 and the year ended 31 December 2009 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
Six-month period ended 30 June 2010				
Balance at 1 January 2010	3,345,670	4,171,653	8,928,757	16,446,080
Additions	106,780	-	1,051,455	1,158,235
Capitalisation of borrowing costs	71,811	-	-	71,811
Disposals	-	(461,983)	(554,334)	(1,016,317)
Balance at 30 June 2010	**3,524,261**	**3,709,670**	**9,425,878**	**16,659,809**
Year ended 31 December 2009				
Balance at 1 January 2009	1,301,382	2,978,237	9,198,863	13,478,482
Additions	393,660	2,304,176	1,839,692	4,537,528
Capitalisation of borrowing costs	115,649	-	-	115,649
Transfers	1,534,979	626,570	(2,109,798)	51,751
Disposals	-	(1,737,330)	-	(1,737,330)
Balance at 31 December 2009	**3,345,670**	**4,171,653**	**8,928,757**	**16,446,080**

Current assets	Property projects under development	Developed land	Total
	SR 000	SR 000	SR 000
Six-month period ended 30 June 2010			
Balance at 1 January 2010	677,431	286,628	964,059
Additions	12,023	-	12,023
Disposals	(218,219)	(15,563)	(233,782)
Balance at 30 June 2010	**471,235**	**271,065**	**742,300**
Year ended 31 December 2009			
Balance at 1 January 2009	1,148,200	120,600	1,268,800
Additions	165,168	780,673	945,841
Capitalisation of borrowing costs	20,755	-	20,755
Transfers	(258,379)	206,628	(51,751)
Disposals	(398,313)	(821,273)	(1,219,586)
Balance at 31 December 2009	**677,431**	**286,628**	**964,059**

7. PROPERTY AND EQUIPMENT

Six-month period ended 30 June 2010	Land and buildings	Leasehold improvements	Vehicles	Plant and machinery	Office equipment	Total
	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000
COST						
At 1 January 2010	**109,145**	**18,885**	**9,990**	**13,346**	**37,667**	**189,033**
Additions	-	151	-	-	1,250	1,401
At 30 June 2010	**109,145**	**19,036**	**9,990**	**13,346**	**38,917**	**190,434**
ACCUMULATED DEPRECIATION						
At 1 January 2010	**24,025**	**16,221**	**8,944**	**8,496**	**28,414**	**86,100**
Charge for the period	**1,509**	**1,308**	**909**	**1,230**	**2,798**	**7,754**
Transfers/adjustments	-	-	-	**(491)**	**491**	-
At 30 June 2010	**25,534**	**17,529**	**9,853**	**9,235**	**31,703**	**93,854**
CARRYING AMOUNT AT 30 June 2010	**83,611**	**1,507**	**137**	**4,111**	**7,214**	**96,580**

Year ended 31 December 2009	Land and buildings	Leasehold improvements	Vehicles	Plant and machinery	Office equipment	Total
	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000
COST						
At 1 January 2009	109,145	18,626	11,966	14,143	38,213	192,093
Additions	-	259	340	-	1,635	2,234
Disposals	-	-	(2,316)	(797)	(2,181)	(5,294)
At 31 December 2009	109,145	18,885	9,990	13,346	37,667	189,033
ACCUMULATED DEPRECIATION						
At 1 January 2009	14,224	13,126	9,317	11,331	24,305	72,303
Charge for the year	4,296	3,095	1,393	2,670	6,077	17,531
Transfers/adjustments	5,505	-	-	(5,505)	-	-
Disposals	-	-	(1,766)	-	(1,968)	(3,734)
At 31 December 2009	24,025	16,221	8,944	8,496	28,414	86,100
CARRYING AMOUNT AT 31 December 2009	85,120	2,664	1,046	4,850	9,253	102,933

Included within land and buildings is land with an original cost of SR 9.50 million (31 December 2009: SR 9.50 million).

8. INVESTMENTS IN ASSOCIATES

The group's investments in associates are as follows:

a. Investments in associates:

	Six-month period ended 30 June 2010 (Unaudited)	Year ended 31 December 2009 (Audited)
	SR 000	SR 000
Investments, beginning of period/year	**406,360**	364,000
Acquisition during the period/year	-	47,000
Share of losses during the period/year	-	(4,640)
Investments, end of period/year	**406,360**	406,360

b. Advances recoverable from associates:

	Six-month period ended 30 June 2010 (Unaudited)	Year ended 31 December 2009 (Audited)
	SR 000	SR 000
Advances, beginning of period/year	**756,000**	756,000
Additions during the period/year	-	-
Advances , end of period/year	**756,000**	756,000
Investments and advances, end of period/year	**1,162,360**	1,162,360

Advances to associates are non-commission bearing and have no repayment schedule.

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

	Six-month period ended 30 June 2010 (Unaudited) SR 000	Year ended 31 December 2009 (Audited) SR 000
Total assets	**2,250,468**	2,063,739
Total liabilities	**(974,725)**	(800,057)
Net assets	**1,275,743**	1,263,682
Group's share of net assets of associates	**256,200**	254,720
Total revenue	**32,906**	57,908
Total accumulated loss end of the period/year	**(16,314)**	(22,990)
Group's share of accumulated loss end of the period/year	**(4,640)**	(4,640)

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 34%. 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.

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

9. TRADE RECEIVABLES AND OTHERS

	30 June 2010 (Unaudited) SR 000	31 December 2009 (Audited) SR 000
Trade receivables – net provision for doubtful debts (SR 4.5 million in 2010 and 2009)	**752,529**	845,912
Trade receivables – related party (note 19)	**8,753**	2,709
Advance payments to purchase land	**658,950**	121,194
Prepayments	**105,411**	111,612
	1,525,643	1,081,427

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

	30 June 2010 (Unaudited)	31 December 2009 (Audited)
	SR 000	SR 000
Islamic Sukuk – International	**5,437,500**	6,000,000
Islamic Sukuk – Local	**750,000**	750,000
Islamic Murabaha	**1,632,793**	1,604,742
	7,820,293	8,354,742
Less: Un-amortised transaction costs	**(114,828)**	(95,313)
Islamic borrowings end of the period/year	**7,705,465**	8,259,429
Less: Short-term borrowings	**1,000,000**	2,687,760
Long-term borrowings	**6,705,465**	5,571,669

Repayable as follows:

	30 June 2010 (Unaudited)	31 December 2009 (Audited)
	SR 000	SR 000
Within one year	**1,000,000**	2,700,000
In the second year	**432,793**	600,000
In the third to fifth years inclusive	**6,387,500**	5,054,742
	7,820,293	8,354,742

Islamic borrowings transaction costs:

	30 June 2010 (Unaudited)	31 December 2009 (Audited)
	SR 000	SR 000
Balance, beginning of the period/year	**95,313**	124,321
Additions during the period/year	**46,409**	28,797
Capitalisation during the period/year	**(14,042)**	(35,468)
Amortisation charge for the period/year	**(12,852)**	(22,337)
Balance, end of the period/year	**114,828**	95,313

Analysis of borrowings:

Islamic Sukuk – International

This represents SR 5.44 billion of Islamic Sukuk comprising:

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

2) SR 1.69 billion (USD 450 million) of Islamic Sukuk carried in the books of the Group, issued by Dar International Sukuk Company at 10.75% and maturing in 2015.

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

The Islamic Sukuk (International) is denoted in US dollars. Since the Saudi Arabian Riyal is limited to fluctuations in the US Dollar there is no exposure to foreign exchange risk.

Islamic Sukuk - Local

This represents an Islamic Sukuk issued by the Group for the amount of SR 750 million at SAIBOR plus profit margin of 4%, maturing in 2014.

The Sukuk agreements include financial covenants, which the Group was in compliance with as at 30 June 2010.

Islamic Murabaha

This represents SR 1.7 billion Murabaha facilities from local commercial banks, in the form of Islamic Murabaha, letters of guarantee and letters of credit comprising:

1) An amount of SR 400 million in the form of long-term Islamic Murabaha, which bears finance charges at prevailing rates between local banks plus annual profit margins of 2.5%. The facility is repayable in eight equal semi-annual payments starting in 2010.

2) Amounts of SR 400 million in the form of short-term Islamic Murabahas bearing finance charges at prevailing rates between the local banks plus annual profit margins ranging from 1.50% to 2.75%.

3) An amount of SR 500 million in the form of long-term Islamic Murabaha, which bears finance charges at prevailing rates between local banks plus annual profit margins of 3.50% and matures in 2011.

4) An amount of SR 400 million in the form of long term Islamic Murabaha, which bears finance charges at prevailing rates between local banks plus annual profit margins of 2.25% and matures in 2012. As at 30 June 2010, the Group has utilised SR 332.8 million. This facility is collateralised by specific assets of a subsidiary.

The facility agreements include certain financial covenants, which the Group was in compliance with as at 30 June 2010. There were no defaults or breaches of loan terms during the current or preceding periods.

11. COMMISSION RATE SWAP DERIVATIVES

The Group uses commission rate swaps to hedge against the cash flow risk arising on certain fixed rate exposures. This hedging relationship and objective, including details of the hedged items and hedging instrument is formally documented and the transaction is accounted for under hedge accounting.

The Group agreed to exchange fixed rate commission liability with floating rate commission amounts, calculated on agreed notional principal amounts. The commission rate swap notional amount is SR 843.75 million (US$ 225 million) maturing on 18 February 2015. The effect of this swap is to convert the fixed-rate commission expense to a floating-rate commission expense, by settling the floating rate commission on a quarterly basis, then on a semi-annual basis collecting from the counterparty bank the fixed rate on the commission rate swap. This commission rate swap transaction will take effect on 18 August 2010.

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 interim consolidated statement of comprehensive income for the period was SR 2.36 million (31 December 2009: SR 5.22 million).

13. TRADE PAYABLES AND OTHERS

	30 June 2010 (Unaudited) SR 000	31 December 2009 (Audited) SR 000
Trade payables	**416,535**	470,957
Accruals	**118,387**	63,565
Unpaid dividend	**465,876**	7,328
Other payables	**903**	4,169
	1,001,701	546,019

Trade payables and others principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 14 days (31 December 2009: 14 days).

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

14. SHARE CAPITAL

	Six-month period ended 30 June 2010 (Unaudited)	Year ended 31 December 2009 (Audited)
	SR 000	SR 000
Authorised:		
1,080,000,000 ordinary shares of SR 10 each (31 December 2009: 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	7,200,000
Issued during the period/year	-	3,600,000
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.

15. FINANCE COSTS

	Six-month period ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
	SR 000	SR 000
Charges on Sukuk	**70,123**	45,433
Charges on Islamic Murabaha	**25,217**	30,492
Bank charges	**3,209**	2,681
Amortisation of finance costs	**12,852**	9,425
	111,401	88,031

During the six-month period ended 30 June 2010 the Group had an average capitalisation effective rate of 4.13 %.

16. EARNINGS PER SHARE

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

	Six-month period ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
	SR 000	SR 000
Earnings		
Earnings for the purpose of basic earnings per share (Net profit for the period)	**835,649**	1,042,784
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.

17. DIVIDENDS

On 23 June 2010 corresponding to 10 Rajab 1431, the Shareholders' General Assembly held its ordinary meeting and approved the Board of Directors recommendation to distribute dividends of SR 1 per share to shareholders who were recorded in the shareholders register as of the date of the General Assembly meeting.

18. OPERATING LEASE ARRANGEMENTS

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

	Six-month period ended 30 June 2010 (Unaudited)	Year ended 31 December 2009 (Audited)
	SR 000	SR 000
Amounts due:		
Within one year	**949**	2,723
Between one and five years	**4,126**	6,484
After five years	**3,604**	5,350
	8,679	14,557

19. RELATED PARTY TRANSACTIONS

During the period, the Group sold residential homes to individuals who sought financing from Saudi Home Loans, which is an associate to the Group. In these instances, Saudi Home Loans pays the consideration in respect of the residential property sale to the Group on behalf of the individual. There is no recourse to the Group if such lending by Saudi Home Loans results in a non performing receivable The balance receivable from Saudi Home Loans as at 30 June 2010 is SR 8,753 thousand (31 December 2009: SR 2,709 thousand).

The Group entered into transactions with entities that have common Board Members or Shareholders to the Group as detailed below:

For the period ended 30 June 2010 and the year ended 31 December 2009, the Group entered into transactions with non-associate related parties in aggregate amounts of SR Nil and SR 12.4 million (US $ 3.3 million), respectively, for the transactions related to general financial advisory services provided 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 consolidated statement of comprehensive income for the period ended 30 June 2010 was SR 1.22 million (30 June 2009: SR 797 thousand), and the outstanding contribution as at 30 June 2010 is SR 218 thousand (30 June 2009: SR Nil).

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.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in 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 subsidiaries 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 financial derivative contracts by way of currency hedging, commission rate swap agreements or similar instruments.

The Group's financial operations are subject to following risks.

1. Credit Risk
2. Commission Rate Risk
3. Liquidity Risk
4. Foreign Currency Risk

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 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 derivative 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 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 consolidated statement of financial position date.

During the period under review the average rate of 3 months LIBOR varied between 0.55 % and 0.25 % (1.42 % and 0.60 % for 2009) and SAIBOR varied between 0.77 % and 0.72 % (2.47 % and 0.64 for 2009).

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

	Six-month period ended 30 June 2010 (Unaudited)	Year ended 31 December 2009 (Audited)
	SR 000	SR 000
+ 25 basis points	17,441	20,887
- 25 basis points	(17,441)	(20,887)

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 50%, as historically, the management capitalises approximately 50% 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 weighted average effective commission rate for the period ended 30 June 2010 is 4.13% (3.7% for 31 December 2009).

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.

Derivative Financial Instruments Risk

As part of its asset and liability management, the Group uses derivatives for hedging its exposure to commission rate and cash flow risks. This is generally achieved by hedging specific transactions. The Group uses derivative instruments primarily to manage exposures to foreign currency and commission rate risks. The Group's principal objective in holding derivatives is to reduce the cash outflows associated with changes in foreign currency and fixed commission rates. The Group's derivatives 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 30 June 2010 amounts to SR 444.37 million (31 December 2009: SR 680 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 30 June 2010 there were no significant claims notified (31 December 2009: None).

25. COMPARATIVE FIGURES

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