

DAR AL ARKAN

REAL ESTATE DEVELOPMENT COMPANY

SAUDI JOINT STOCK COMPANY

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND
AUDITORS' REVIEW REPORT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011**

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REVIEW REPORT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011

INDEX	PAGE
Auditors' review report	1
Interim consolidated balance sheet	2
Interim consolidated statement of income	3
Interim consolidated statement of cash flows	4
Interim consolidated statement of changes in shareholders' equity	5
Notes to the interim consolidated financial statements	6 – 20

**Deloitte & Touche
Bakr Abulkhair & Co.
Deloitte.**

License No. 96

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



License No. 81

AUDITORS' REVIEW REPORT

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

Scope of review

We have reviewed the accompanying interim consolidated balance sheet of **Dar Al Arkan Real Estate Development Company** (A Saudi joint stock company) (the "Company") as at June 30, 2011 and the related interim consolidated statement of income for the three-month and six-month periods then ended and the interim consolidated statements of cash flows and changes in shareholders' equity for the six-month period then ended, prepared by the Company and submitted to us with all the information and explanations which we require. These interim consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A review of interim financial statements 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 Auditing Standards Generally Accepted in the Kingdom of Saudi Arabia, 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.

Review result

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 Accounting Standards Generally Accepted in the Kingdom of Saudi Arabia.

Deloitte & Touche
Bakr Abulkhair & Co.

Bakr A. Abulkhair
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16 Sha'aban 1432 H
17 July 2011

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30 JUNE 2011

	Notes	30 June 2011 SR 000	30 June 2010 SR 000
ASSETS			
Current Assets			
Cash and cash equivalents		1,807,797	1,300,721
Accounts receivable	(5)	1,683,492	752,529
Prepaid expenses and others	(6)	305,909	764,361
Due from related parties	(7)	2,992	8,753
Projects in progress – short-term	(8 a)	97,207	471,235
Developed land – short-term		279,554	271,065
Total Current Assets		4,176,951	3,568,664
Non-Current Assets			
Projects in progress – long-term	(8 b)	7,831,079	8,552,899
Investments in land under development	(9)	4,970,220	4,397,240
Developed land – long-term		2,929,939	3,709,670
Investment properties	(10a)	2,632,045	1,688,883
Investment in associates	(10b)	1,162,760	1,162,360
Property and equipment	(11)	86,474	96,580
Deferred charges	(12)	1,408	2,436
Total Non-Current Assets		19,613,925	19,610,068
TOTAL ASSETS		23,790,876	23,178,732
LIABILITIES AND EQUITY			
Current Liabilities			
Islamic borrowings – current portion	(13)	801,587	1,000,000
Accounts payable	(15)	404,021	416,535
Accrued expenses and others	(16)	740,596	1,164,240
Total Current Liabilities		1,946,204	2,580,775
Non-Current Liabilities			
Islamic borrowings	(13)	6,760,037	6,705,465
Provision for end-of-service indemnities	(17)	14,151	12,926
Total Non-Current Liabilities		6,774,188	6,718,391
Shareholders' Equity			
Share capital	(18)	10,800,000	10,800,000
Statutory reserve		607,768	462,268
Retained earnings		3,397,975	2,352,557
Equity attributable to Dar Al Arkan shareholders		14,805,743	13,614,825
Non-controlling interests from Group subsidiaries		264,741	264,741
Total Equity		15,070,484	13,879,566
TOTAL LIABILITIES AND EQUITY		23,790,876	23,178,732


Managing Director


Chief Financial Officer

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 2011

	Notes	Three-month period ended		Six-month period ended	
		30 June 2011 SR 000	30 June 2010 SR 000	30 June 2011 SR 000	30 June 2010 SR 000
Revenues from operations		791,237	1,114,437	1,746,391	2,259,375
Cost of operations		(453,499)	(583,583)	(1,042,026)	(1,250,099)
Gross profit	(4)	337,738	530,854	704,365	1,009,276
Operating expenses:					
General, administrative, selling and marketing expenses		(22,683)	(27,232)	(42,351)	(60,527)
Depreciation		(4,491)	(4,311)	(7,024)	(8,129)
Amortisation of deferred charges	(12,13a)	(4,827)	(7,303)	(9,693)	(13,372)
Income for the period from operating activities		305,737	492,008	645,297	927,248
Other Income / (expenses) :					
Share of income from investment in associates		-	-	400	-
Islamic Murabaha charges		(17,122)	(13,800)	(33,549)	(28,426)
Islamic Sukuk charges		(39,464)	(42,633)	(74,733)	(70,123)
Other income		56,870	12,425	56,696	25,950
Income for the period before Zakat		306,021	448,000	594,111	854,649
Zakat provision		(8,255)	(11,000)	(23,255)	(19,000)
Net income for the period		297,766	437,000	570,856	835,649
Earnings per share for the period (in Saudi Riyal)					
	(19)				
From operating activities		0.28	0.46	0.60	0.86
From net income		0.28	0.40	0.53	0.77


Managing Director


Chief Financial Officer

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011

	Six-month period ended	
	30 June 2011	30 June 2010
	SR 000	SR 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income for the period before zakat	594,111	854,649
Adjustment for:		
Depreciation	7,024	8,129
Amortisation of deferred charges	9,693	13,372
Provision for end-of-service indemnities	1,897	2,358
Share of income from investment in associates	(400)	-
Gain on disposal of property and equipment	(288)	-
Changes in operating assets and liabilities		
Accounts receivable	(16,492)	93,383
Prepaid expenses and others	(29,229)	6,201
Due from related parties	(1,628)	(6,044)
Projects in progress – short-term	87,453	206,196
Developed land – short-term	(8,667)	15,563
Accounts payable	(19,798)	(54,422)
Accrued expenses and others	(3,635)	510,104
Zakat paid	(12,763)	-
End-of- service indemnities paid	(345)	(1,470)
Net cash from operating activities	606,933	1,648,019
CASH FLOWS FROM INVESTING ACTIVITIES		
Projects in progress – long-term	817,739	38,137
Investments in land under development	(238,560)	(713,849)
Developed land – long-term	-	461,983
Advance payments to purchase land	279,711	(537,756)
Investment properties	(720,166)	(171,091)
Purchase of property and equipment	(58)	(1,401)
Proceeds from disposal of property and equipment	322	-
Net cash from / (used in) investing activities	138,988	(923,977)
CASH FLOWS FROM FINANCING ACTIVITIES		
Islamic borrowings	(126,637)	(566,816)
Dividends	-	(1,080,000)
Net cash used in financing activities	(126,637)	(1,646,816)
Increase/(Decrease) in cash and cash equivalents	619,284	(922,774)
Cash and cash equivalents, beginning of the period	1,188,513	2,223,495
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	1,807,797	1,300,721



Managing Director



Chief Financial Officer

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011

	<u>Share Capital</u>	<u>Statutory Reserve</u>	<u>Retained Earnings</u>	<u>Equity attributable to Dar Al Arkan Shareholders</u>
	SR 000	SR 000	SR 000	SR 000
2010				
Balance as at 1 January 2010	10,800,000	462,268	2,596,908	13,859,176
Dividends			(1,080,000)	(1,080,000)
Net income for the Period	-	-	835,649	835,649
Balance as at 30 June 2010	<u>10,800,000</u>	<u>462,268</u>	<u>2,352,557</u>	<u>13,614,825</u>
2011				
Balance as at 1 January 2011	10,800,000	607,768	2,827,119	14,234,887
Net income for the period	-	-	570,856	570,856
Balance as at 30 June 2011	<u>10,800,000</u>	<u>607,768</u>	<u>3,397,975</u>	<u>14,805,743</u>



Managing Director



Chief Financial Officer

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011

1. GENERAL INFORMATION:

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

The Group is predominantly engaged in the business of development, sale and lease of real estate projects and associated activities.

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

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

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

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

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

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

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

2.2 ACCOUNTING CONVENTION

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

2.3 BASIS OF CONSOLIDATION

The interim consolidated financial statements of the Group incorporate the financial statements of the companies and enterprises controlled by the Group (its subsidiaries) made up to 30 June 2011.

Subsidiaries are entities over which the Group has the power to control the financial and operating policies to obtain economic benefit to the Group. Subsidiaries are fully consolidated from the effective date of acquisition up to the effective date of disposal, as appropriate.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the historical cost of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are initially measured at the historical cost at the acquisition date irrespective of the extent of any non-controlling interests. The interests of non-controlling shareholders are stated at the non-controlling proportion of the assets and liabilities recognised. Subsequently, any losses applicable to the non-controlling interests in excess of the non-controlling interests are allocated against the interests of the parent.

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

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

Investments in associates

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011 (CONTINUED)

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

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

2.4 PROPERTY AND EQUIPMENT

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

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

Buildings	3%
Leasehold improvements	5% - 20%
Vehicles	25%
Plant and machinery	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 consolidated statement of 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.

2.5 INVESTMENT PROPERTIES

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

Buildings	3%
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011 (CONTINUED)

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

2.6 FINANCE CHARGES

Financing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other financing costs are recognised in the interim consolidated statement of Income in the period in which they are incurred.

2.7 FINANCIAL INSTRUMENTS

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

Accounts receivables

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

Cash and cash equivalents

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

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Financial liabilities include Islamic Sukuk and Islamic Murabaha; these are recorded initially at cost. Direct transaction costs are subsequently carried at their amortised cost and are recognised in the interim consolidated statement of income over the term of the instrument.

Accounts payables

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

Commission rate swaps

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

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011 (CONTINUED)**

2.8 IMPAIRMENT OF TANGIBLE ASSETS

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

2.9 REVENUE RECOGNITION

Revenue represents the sale of development properties. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and significant risks and rewards of ownership have been transferred to the buyer. Revenue is measured at the value of consideration received.

2.10 ZAKAT TAXATION

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

2.11 FOREIGN CURRENCIES

Transactions in currencies other than Saudi Riyals, the presentational and functional currency of the Group, are recorded at the rates of exchange prevailing on the dates of the transactions. At each interim consolidated balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the interim consolidated balance sheet date. Non-monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date when the cost was determined.

2.12 STATUTORY RESERVE

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

2.13 END OF SERVICE INDEMNITIES

The Group provides end of service benefits to its employees in accordance with the labour law provision of Saudi Arabia. The entitlement to these indemnities is based upon the employee's final salary, length of service and the completion of a minimum service period. The costs of these indemnities are accrued over the period of employment at the rate of the employee's current salary and are paid on cessation of employment.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011 (CONTINUED)

2.14 RETIREMENT BENEFIT COSTS

The Group makes contributions in line with the General Organisation for Social Insurance Regulations and are calculated as a percentage of employees' wages. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan. Payments made to defined contribution retirement benefit plans are charged as an expense as they fall due.

2.15 LEASING

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

2.16 OPERATING EXPENSES

The Group follows accrual basis of accounting to record the operating expenses and recognised as expenses in the interim consolidated statement of income in the period in which they are incurred. Expenses that are deferred for more than one financial year are allocated to expenses over such periods using historical cost.

3. USE OF ESTIMATES

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

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Geographical regions

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

Products and services

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011 (CONTINUED)

Information in respect of these products is presented below:

	Six-month period ended	
	30 June 2011 (Unaudited) SR 000	30 June 2010 (Unaudited) SR 000
REVENUES		
Sales of residential properties	42,164	252,213
Sales of land	1,696,216	2,007,162
Leasing of properties	8,011	-
Total	1,746,391	2,259,375
COST OF SALES		
Residential properties	35,888	218,219
Land	1,006,138	1,031,880
Total	1,042,026	1,250,099
GROSS PROFIT		
Residential properties	6,276	33,994
Land	690,078	975,282
Lease	8,011	-
Total	704,365	1,009,276
5. ACCOUNTS RECEIVABLE		
	30 June 2011 (Unaudited) SR 000	30 June 2010 (Unaudited) SR 000
Customers	1,687,971	757,008
Provision for doubtful debtors	(4,479)	(4,479)
Total	1,683,492	752,529
6. PREPAID EXPENSES AND OTHERS		
	30 June 2011 (Unaudited) SR 000	30 June 2010 (Unaudited) SR 000
Advance payments to purchase land	139,256	658,950
Advance payments to contractors	43,965	69,691
Accrued income	56,773	11,493
Positive value of commission SWAP contract	49,266	-
Prepaid expenses	9,786	4,767
Advance payments to suppliers	4,066	4,362
Employees' advances and receivables	2,760	2,838
Others	37	12,260
Total	305,909	764,361

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011 (CONTINUED)

7. 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 bad debt. The details of the transactions are as follows.

	Six-month period ended	
	30 June 2011 (Unaudited)	30 June 2010 (Unaudited)
	SR 000	SR 000
Balance, beginning of the period	1,364	2,709
Sales	20,134	33,908
Commission	(13)	(28)
Collection	(18,493)	(27,836)
Balance, end of the period	2,992	8,753

For the period ended 30 June 2011 and the period ended 30 June 2010, no transactions were entered with entities that have common Board Members or Shareholders to the Group.

8. PROJECTS IN PROGRESS

a) *Projects in progress – short-term:*

	30 June 2011	30 June 2010
	(Unaudited)	(Unaudited)
	SR 000	SR 000
Residential and commercial development	97,207	471,235
Total	97,207	471,235

Short-term projects in progress represent payments incurred on projects executed by the Group for the purpose of re-sale in the short term.

b) *Projects in progress – long-term:*

	30 June 2011	30 June 2010
	(Unaudited)	(Unaudited)
	SR 000	SR 000
Residential and commercial development	3,768,377	3,524,261
Land development projects	4,062,702	5,028,638
Total	7,831,079	8,552,899

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

During the period the Group's management capitalised Islamic Sukuk charges in the amount of SR 81 million (30 June 2010: 72 million) under projects in progress.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011 (CONTINUED)

9. INVESTMENTS IN LAND UNDER DEVELOPMENT

This item represents the Group's co-ownership in land with third parties according to contracts for land development.

10. a) INVESTMENT PROPERTIES

	Six-month period ended 30 June 2011 (Unaudited) SR 000	Six-month period ended 30 June 2010 (Unaudited) SR 000
COST		
At beginning of the period	1,918,823	1,521,913
Additions	714,096	153,135
Capitalisation of borrowing costs	6,070	17,956
At end of the period	<u>2,638,989</u>	<u>1,693,004</u>
ACCUMULATED DEPRECIATION		
At beginning of the period	4,496	3,746
Charge during the period	2,448	375
At end of the period	<u>6,944</u>	<u>4,121</u>
CARRYING AMOUNT AT THE END OF THE PERIOD	<u>2,632,045</u>	<u>1,688,883</u>

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

b) INVESTMENT IN ASSOCIATES

This item represents investment in shares of companies that are not publicly traded. The Group's ownership in these companies ranges from 15% to 34%. Movement in investment in associates is as follows:

	30 June 2011 (Unaudited) SR 000	30 June 2010 (Unaudited) SR 000
Balance, beginning of the period	1,162,360	1,162,360
Share of income	400	-
Balance , end of the period	<u>1,162,760</u>	<u>1,162,360</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011 (CONTINUED)

11. PROPERTY AND EQUIPMENT

Details of cost, accumulated depreciation and net book value of property and equipment are as follows:

	Land and Buildings SR 000	Leasehold Improvements SR 000	Vehicles SR 000	Plant and Machinery SR 000	Office equipment SR 000	Total SR 000
Cost						
Balance at 1 January, 2011	109,145	19,037	9,990	13,390	39,074	190,636
Additions for the period	-	-	-	-	58	58
Disposals during the period	-	-	(740)	-	(80)	(820)
Balance at 30 June 2011	<u>109,145</u>	<u>19,037</u>	<u>9,250</u>	<u>13,390</u>	<u>39,052</u>	<u>189,874</u>
Accumulated Depreciation						
Balance at 1 January, 2011	27,042	18,070	9,904	11,152	33,442	99,610
Depreciation for the period	1,508	411	137	1,151	1,369	4,576
Transfers / Adjustments during the period	-	(121)	(357)	12	466	-
Transfers / Disposals during the period	-	-	(740)	-	(46)	(786)
Balance at 30 June 2011	<u>28,550</u>	<u>18,360</u>	<u>8,944</u>	<u>12,315</u>	<u>35,231</u>	<u>103,400</u>
Net book value 30 June 2011	<u>80,595</u>	<u>677</u>	<u>306</u>	<u>1,075</u>	<u>3,821</u>	<u>86,474</u>
Net book value 30 June 2010	<u>83,611</u>	<u>1,507</u>	<u>137</u>	<u>4,111</u>	<u>7,214</u>	<u>96,580</u>

Included within land and buildings are land with an original cost of SR 9.50 million (30 June 2010: SR 9.50 million).

12. DEFERRED CHARGES

The movement during the period is as below:

	30 June 2011 (Unaudited) SR 000	30 June 2010 (Unaudited) SR 000
Balance, beginning of the period	1,916	2,956
Amortisation charge for the period	(508)	(520)
Balance, end of the period	<u>1,408</u>	<u>2,436</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011 (CONTINUED)

13. ISLAMIC BORROWINGS

	30 June 2011 (Unaudited) SR 000	30 June 2010 (Unaudited) SR 000
Islamic Sukuk – International	5,437,500	5,437,500
Islamic Sukuk – Local	750,000	750,000
Islamic Murabaha	1,448,664	1,632,793
	<u>7,636,164</u>	<u>7,820,293</u>
Less: Un-amortised transaction costs	(74,540)	(114,828)
Islamic borrowings – end of the period	7,561,624	7,705,465
Less: Islamic borrowings – current portion	(801,587)	(1,000,000)
Islamic borrowings - long-term	<u>6,760,037</u>	<u>6,705,465</u>

Repayable as follows:

	30 June 2011 (Unaudited) SR 000	30 June 2010 (Unaudited) SR 000
Within one year	801,587	1,000,000
In the second year	4,239,934	432,793
In the third to fifth years inclusive	2,594,643	6,387,500
	<u>7,636,164</u>	<u>7,820,293</u>

(a) *Islamic borrowings transaction costs:*

	30 June 2011 (Unaudited) SR 000	30 June 2010 (Unaudited) SR 000
Balance, beginning of the period	91,217	95,313
Additions during the period	2,401	46,409
Capitalisation during the period	(9,893)	(14,042)
Amortisation charge for the period	(9,185)	(12,852)
Balance, end of the period	<u>74,540</u>	<u>114,828</u>

Analysis of borrowings:

Islamic Sukuk – International

This represents SR 5.44 billion of Islamic Sukuk comprising:

- 1) SR 3.75 billion (USD 1 billion) of Islamic Sukuk carried in the books of the Group, issued by Dar Al Arkan International Sukuk Company at LIBOR plus profit margin of 2.25% and maturing in 2012.
- 2) SR 1.69 billion (USD 450 million) of Islamic Sukuk carried in the books of the Group, issued by Dar International Sukuk Company II at 10.75% and maturing in 2015.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011 (CONTINUED)

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

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

Islamic Sukuk - Local

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

The Sukuk agreements include financial covenants, which the Group was in compliance with as at 30 June 2011.

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 margin of 3%. The facility is being repaid in eight equal semi-annual payments starting 2010. As at 30 June 2011 an amount of SR 300 million is outstanding towards this facility.
- 2) An amount of SR 200 million in the form of short-term Islamic Murabaha bearing finance charges at prevailing rates between the local banks plus annual profit margin of 3%.
- 3) An amount of SR 200 million in the form of long-term Islamic Murabaha bearing finance charges at prevailing rates between the local banks plus annual profit margin of 3.75%. The facility is being repaid in seven equal semi-annual payments starting 2011. As at 30 June 2011 an amount of SR 171.42 million is outstanding towards this facility.
- 4) An amount of SR 500 million in the form of long-term Islamic Murabaha, which bears finance charges at prevailing rates between local banks plus an annual profit margin of 4% and matures in 2011. As at 30 June 2011 an amount of SR 444.44 million is outstanding towards this facility.
- 5) An amount of SR 400 million in the form of long-term Islamic Murabaha, which bears finance charges at prevailing rates between local banks plus an annual profit margin of 2.25% and matures in 2012. As at 30 June 2011, 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 2011.

The annualised weighted average effective commission rate for the period ended 30 June 2011 is 4.8% (4.6% for 30 June 2010).

There were no defaults or breaches of loan terms during the current or preceding periods.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011 (CONTINUED)

14. COMMISSION RATE SWAP DERIVATIVES

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

The cumulative positive fair value of this agreement which does not qualify for hedge accounting in accordance with generally accepted accounting standards amounted to SR 49.27 million (USD 13.14 million). The change in the fair value during the period amounting to SR 21.50 million (USD 5.73 million) has been recognised as other income in the interim consolidated statement of income.

15. ACCOUNTS PAYABLE

The detail of the above account is as follows:

	30 June 2011 (Unaudited) SR 000	30 June 2010 (Unaudited) SR 000
Contractors	306,436	285,428
Suppliers	51,794	70,019
Advances from customers	164	60,454
Others	45,627	634
Total	404,021	416,535

16. ACCRUED EXPENSES AND OTHERS

	30 June 2011 (Unaudited) SR 000	30 June 2010 (Unaudited) SR 000
Zakat provision (a,b)	597,566	579,074
Islamic Murabaha charges	7,962	9,152
Islamic Sukuk charges	74,741	93,347
Accrued expenses	17,361	15,889
Dividend payable	36,521	465,876
Others	6,445	902
Total	740,596	1,164,240

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

	30 June 2011 (Unaudited) SR 000	30 June 2010 (Unaudited) SR 000
Balance beginning of the period	587,074	560,074
Estimated Zakat for the current period	23,255	19,000
Payment made during the period	(12,763)	-
Estimated Zakat provision, end of the period	597,566	579,074

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011 (CONTINUED)

- b) The Company has received the assessments from DZIT for the years 2003, 2004, 2005, 2006, 2008 and 2009 and has filed an objection for the years 2003 to 2006 which is still under the review of DZIT. The Company has not received DZIT assessment for year 2007. The filing of the consolidated zakat return for year 2010 is currently under process.

17. PROVISION FOR END OF SERVICE INDEMNITIES

This item represents the balance of provision for end of service benefits as at 30 June 2011. During the period the Group's management charged an amount of SR 1.90 million (2010: SR 2.36 million) to expenses. The movement during the period is as below:

	30 June 2011 (Unaudited) SR 000	30 June 2010 (Unaudited) SR 000
Balance, beginning of the period	12,599	12,038
Charged to expenses during the period	1,897	2,358
Paid during the period	(345)	(1,470)
Balance, end of the period	14,151	12,926

18. SHARE CAPITAL

The Company has one class of 1,080,000,000 authorised, issued and fully paid ordinary shares of SR 10 each, which carry no right to fixed income.

19. EARNINGS PER SHARE

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

	30 June 2011 (Unaudited) SR 000	30 June 2010 (Unaudited) SR 000
Earnings		
For the purpose of basic earnings per share:		
Income for the period from operating activities	645,297	927,248
Net income for the period	570,856	835,649
Number of shares		
	Number	Number
Weighted average number of ordinary shares For the purpose of basic earnings per share	1,080,000,000	1,080,000,000

There is no dilution of ordinary shares and as such the basic and diluted earnings per share calculation are consistent.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011 (CONTINUED)**

20. COMMITMENTS

As at 30 June 2011, the Group and its subsidiaries have commitments which represent the value of the part not yet executed from the projects development contracts amounting to SR 307 million (2010: SR 444.37 million).

21. 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.

22. COMPARATIVE FIGURES

Certain comparative figures of 2010 have been reclassified to conform to the presentation adopted in the current period.