

DAR AL ARKAN
REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

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

INDEX	PAGE
Independent 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



INDEPENDENT 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 September 30, 2010 and the related interim consolidated statement of income for the three-month and nine-month periods then ended and the interim consolidated statements of cash flows and changes in shareholders' equity for the nine-month period then ended, prepared by the Company and presented 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 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.

Review result

Based on our limited 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 Generally Accepted Accounting Standards.

Deloitte & Touche
Bakr Abulkhair & Co.

Talal Abu-Ghazaleh & Co.

Bakr A. Abulkhair
License No. 101

Abdulqadir A. Al-Wohaib
License No. 48



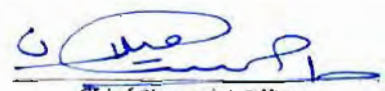
5 Dhual Qa'adh 1431
13 October 2010



INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30 SEPTEMBER 2010

	Note	30 September 2010 SR 000	30 September 2009 SR 000
ASSETS			
Current Assets			
Cash and cash equivalents		1,134,592	1,055,626
Accounts receivable	(5)	954,657	642,613
Prepaid expenses and others	(6)	661,268	943,640
Due from related parties	(7)	5,083	13,673
Projects in progress – short-term	(8 a)	398,765	610,582
Developed land – short-term		270,887	2,039,602
Total Current Assets		3,425,252	5,305,736
Non-Current Assets			
Projects in progress – long-term	(8 b)	8,637,768	8,188,516
Investments in land under development	(9)	4,731,661	3,683,391
Developed land – long-term		3,248,999	2,499,417
Investment properties		1,726,844	1,521,139
Investments in associates	(10)	1,162,360	1,168,960
Property and equipment	(11)	93,450	107,312
Deferred charges	(12)	2,175	2,084
Total Non-Current Assets		19,603,257	17,170,819
TOTAL ASSETS		23,028,509	22,476,555
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Islamic borrowings – current portion	(13)	1,000,000	2,631,441
Accounts payable	(15)	421,525	249,952
Accrued expenses and others	(16)	704,206	589,939
Total Current Liabilities		2,125,731	3,471,332
Non-Current Liabilities			
Islamic borrowings	(13)	6,719,769	5,599,692
Provision for end-of-service indemnities	(17)	13,817	10,096
Total Non-Current Liabilities		6,733,586	5,609,788
Shareholders' Equity			
Share capital	(18)	10,800,000	10,800,000
Statutory reserve		462,268	250,000
Retained earnings		2,642,183	2,345,435
Equity attributable to Dar Al Arkan shareholders		13,904,451	13,395,435
Non-controlling interests from Group subsidiaries		264,741	-
Total Shareholders' Equity		14,169,192	13,395,435
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		23,028,509	22,476,555


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 NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2010

	Note	Three-month period ended 30 September		Nine-month period ended 30 September	
		2010	2009	2010	2009
		SR 000	SR 000	SR 000	SR 000
Revenues from operations		910,214	1,523,465	3,169,589	4,243,549
Cost of operations		(535,319)	(809,275)	(1,785,418)	(2,303,701)
Gross profit	(4)	374,895	714,190	1,384,171	1,939,848
Operating expenses:					
General, administrative, selling and marketing expenses		(23,583)	(37,931)	(84,110)	(101,641)
Depreciation		(3,465)	(4,067)	(11,594)	(13,819)
Amortisation of deferred charges	(12, 13 a)	(7,565)	(6,693)	(20,937)	(16,465)
Income for the period from operating activities		340,282	665,499	1,267,530	1,807,923
Other Income / (expenses) :					
Islamic Murabaha charges		(14,915)	(12,720)	(43,341)	(45,893)
Islamic Sukuk charges		(40,403)	(23,274)	(110,526)	(68,707)
Other income		12,662	1,649	38,612	3,615
Income for the period before Zakat		297,626	631,154	1,152,275	1,696,938
Zakat provision		(8,000)	(15,000)	(27,000)	(38,000)
Net income for the period		289,626	616,154	1,125,275	1,658,938
Earnings per share (in Saudi Riyal)					
From operating activities	(19)	0.32	0.62	1.17	1.67
From net income for the period		0.27	0.57	1.04	1.54



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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2010

	Nine-month period ended 30 September	
	2010 SR 000	2009 SR 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income for the period before zakat	1,152,275	1,696,938
Adjustment for:		
Depreciation	11,594	13,819
Amortisation of deferred charges	20,937	16,465
Provision for end-of-service Indemnities	3,603	3,019
Share of income from associates	-	(1,960)
Changes in operating assets and liabilities		
Accounts receivable	(108,745)	306,034
Prepaid expenses and others	(428,462)	792,995
Due from related parties	(2,374)	43,369
Projects in progress – short-term	278,666	564,459
Developed land – short-term	15,741	(166,028)
Accounts payable	(49,432)	78,745
Accrued expenses and others	42,070	(61,448)
End-of- service Indemnities paid	(1,824)	(812)
Net cash from operating activities	934,049	3,285,595
CASH FLOWS FROM INVESTING ACTIVITIES		
Projects in progress – long-term	(46,732)	(1,415,751)
Investments in land under development	(1,048,270)	44,089
Developed land – long-term	922,654	(1,274,154)
Investment properties	(209,239)	(929,901)
Investments in associates	-	(47,000)
Purchase of property and equipment	(1,549)	(1,341)
Net cash used in investing activities	(383,136)	(3,624,058)
CASH FLOWS FROM FINANCING ACTIVITIES		
Islamic borrowing	(559,816)	677,614
Dividends	(1,080,000)	-
Net cash (used in)/ from financing activities	(1,639,816)	677,614
(Decrease)/Increase in cash and cash equivalents	(1,088,903)	339,151
Cash and cash equivalents, beginning of the period	2,223,495	716,475
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	1,134,592	1,055,626


Managing Director


Chief Financial Officer

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2010

	Share Capital	Statutory Reserve	Retained Earnings	Equity attributable to Dar Al Arkan Shareholders
	SR 000	SR 000	SR 000	SR 000
2009				
Balance as at 1 January 2009	7,200,000	3,600,000	936,497	11,736,497
Capital increase through transfer from statutory reserve and retained earnings	3,600,000	(3,350,000)	(250,000)	-
Net income for the period	-	-	1,658,938	1,658,938
Balance as at 30 September 2009	<u>10,800,000</u>	<u>250,000</u>	<u>2,345,435</u>	<u>13,395,435</u>
2010				
Balance as at 1 January 2010	10,800,000	462,268	2,596,908	13,859,176
Dividends (note 20)	-	-	(1,080,000)	(1,080,000)
Net income for the period	-	-	1,125,275	1,125,275
Balance as at 30 September 2010	<u>10,800,000</u>	<u>462,268</u>	<u>2,642,183</u>	<u>13,904,451</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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2010

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, a wholly owned subsidiary, 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/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 or 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim consolidated financial statements have been prepared in accordance with the generally accepted accounting standards issued by the Saudi Organisation of Certified Public Accountants (SOCPA). The significant accounting policies adopted by the Company in preparing its interim consolidated financial statements are in conformity with those described in the Company's annual report for the year ended 31 December 2009 and are summarised below:

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 September 2010.

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 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30-SEPTEMBER 2010

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. Any excess of cost of acquisition over the Group's share of the identifiable net assets acquired 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 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 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.

2.4 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:

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 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2010

2.5 INVESTMENT PROPERTIES

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

Buildings	3%
-----------	----

Gains or losses arising from the retirement or disposal of investment properties being the difference between the net disposal proceeds and carrying value are included in the 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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2010

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 recognized directly in the interim consolidated statement of income, and are included in other income.

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 year separately pursuant to Zakat Regulation in the Kingdom of Saudi Arabia. The provision for Zakat is adjusted in the financial year 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 interim consolidated statement of income as changes in accounting estimates and included in the financial year 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2010

2.13 END-OF-SERVICE INDEMNITIES

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

2.14 RETIREMENT BENEFIT COSTS

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

2.15 LEASING

Rentals payable under operating leases are charged to the 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 organised 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. There are currently no revenue streams being recognised during the period from DAR Properties or DAR Investments, as such only one reportable segment is recognised as at 30 September 2010.

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2010

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 and sale of residential and commercial projects ("Sales of residential properties").

Information in respect of these products is presented below:

	Nine-month period ended	
	30 September 2010 (Unaudited) SR 000	30 September 2009 (Unaudited) SR 000
REVENUES		
Sales of residential properties	331,167	394,517
Sales of land	2,838,422	3,849,032
Total	3,169,589	4,243,549
COST OF SALES		
Residential properties	292,689	303,054
Land	1,492,729	2,000,647
Total	1,785,418	2,303,701
GROSS PROFIT		
Residential properties	38,478	91,463
Land	1,345,693	1,848,385
Total	1,384,171	1,939,848
5. ACCOUNTS RECEIVABLE		
	30 September 2010 (Unaudited) SR 000	30 September 2009 (Unaudited) SR 000
Customers	959,136	647,092
Provision for doubtful debtors	(4,479)	(4,479)
Total	954,657	642,613

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2010

6. PREPAID EXPENSES AND OTHERS

	30 September 2010 (Unaudited) SR 000	30 September 2009 (Unaudited) SR 000
Advance payments to purchase land	566,813	570,256
Advance for investments	-	251,875
Advance payments to contractors	63,648	108,884
Advance payments to suppliers	3,336	4,523
Prepaid expenses	15,962	2,410
Employees' advances and receivables	2,110	2,230
Others	9,399	3,462
Total	661,268	943,640

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 balance with Saudi Home Loans as at 30 September 2010 is SR 5,083 thousand (30 September 2009: SR 13,673 thousand).

For the period ended 30 September 2010 and the period ended 30 September 2009, the Group entered into transactions with non-associate related parties in aggregate amounts of SR nil and SR 12.4 million respectively, for the transactions related to general financial advisory services provided to the Group.

8. PROJECTS IN PROGRESS

a) Projects in progress – short-term

	30 September 2010 (Unaudited) SR 000	30 September 2009 (Unaudited) SR 000
Residential and commercial development	398,765	610,582
Total	398,765	610,582

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2010

b) Projects in progress – long-term

	30 September 2010 (Unaudited) SR 000	30 September 2009 (Unaudited) SR 000
Residential and commercial development	3,609,131	1,458,188
Land development projects	5,028,637	6,730,328
Total	8,637,768	8,188,516

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 113 million (30 September 2009: SR 116 million) under projects in progress.

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. INVESTMENTS IN ASSOCIATES

This item represents investments in shares of companies that are not publicly traded. The Group's ownership in these companies ranges from 15% to 34%.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2010

11. PROPERTY AND EQUIPMENT

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

(Unaudited)	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 2010	109,145	18,885	9,990	13,346	37,667	189,033
Additions for the period	-	152	-	-	1,397	1,549
Balance at 30 September 2010	<u>109,145</u>	<u>19,037</u>	<u>9,990</u>	<u>13,346</u>	<u>39,064</u>	<u>190,582</u>
Accumulated Depreciation						
Balance at 1 January 2010	24,025	16,221	8,944	8,496	28,414	86,100
Depreciation for the period	2,264	1,800	954	2,285	3,729	11,032
Transfers during the period	-	-	-	(491)	491	-
Balance at 30 September 2010	<u>26,289</u>	<u>18,021</u>	<u>9,898</u>	<u>10,290</u>	<u>32,634</u>	<u>97,132</u>
Net book value 30 September 2010	<u>82,856</u>	<u>1,016</u>	<u>92</u>	<u>3,056</u>	<u>6,430</u>	<u>93,450</u>
Net book value 30 September 2009	<u>85,894</u>	<u>3,177</u>	<u>1,604</u>	<u>5,792</u>	<u>10,845</u>	<u>107,312</u>

Included within land and buildings are land with an original cost of SR 9.50 million (30 September 2009: SR 9.50 million).

12. DEFERRED CHARGES

The movement during the period is as below:

	Nine- month period ended 30 September 2010 (Unaudited) SR 000	30 September 2009 (Unaudited) SR 000
Balance, beginning of the period	2,956	2,550
Amortisation charge for the period	(781)	(466)
Balance, end of the period	<u>2,175</u>	<u>2,084</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2010

13. ISLAMIC BORROWINGS

	30 September 2010 (Unaudited) SR 000	30 September 2009 (Unaudited) SR 000
Islamic Sukuk – International	5,437,500	6,000,000
Islamic Sukuk – Local	750,000	750,000
Islamic Murabaha	1,632,793	1,589,424
	<u>7,820,293</u>	<u>8,339,424</u>
Less: Un-amortised transaction costs	(100,524)	(108,291)
Islamic borrowings – end of the period	7,719,769	8,231,133
Less: Islamic borrowing – current portion	(1,000,000)	(2,631,441)
Islamic borrowing - long-term	<u>6,719,769</u>	<u>5,599,692</u>
Repayable as follows:		
	30 September 2010 (Unaudited) SR 000	30 September 2009 (Unaudited) SR 000
Within one year	1,000,000	2,650,000
In the second year	4,182,793	550,000
In the third to fifth year inclusive	2,637,500	4,339,424
After five years	-	800,000
	<u>7,820,293</u>	<u>8,339,424</u>

(a) Islamic borrowings transaction costs:

	Nine- month period ended 30 September 2010 (Unaudited) SR 000	30 September 2009 (Unaudited) SR 000
Balance, beginning of the period	95,313	124,321
Additions during the period	46,409	26,810
Capitalisation during the period	(21,042)	(26,841)
Amortisation charge for the period	(20,156)	(15,999)
Balance, end of the period	<u>100,524</u>	<u>108,291</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2010

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 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 September 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 margin 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 margin 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 an annual profit margin 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 an annual profit margin of 2.25% and matures in 2012. As at 30 September 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 September 2010.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2010

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

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, then on a semi-annual basis collecting from the counterparty bank the fixed rate on the commission rate swap.

The positive fair value of this agreement which does not qualify for hedge accounting in accordance with generally accepted accounting standards amounting to SR 16.05 million (USD 4.28 million) during the nine-month period ended September 30, 2010 (September 30, 2009: Nil).

15. ACCOUNTS PAYABLE

The detail of the above account is as follows:

	30 September 2010 (Unaudited) SR 000	30 September 2009 (Unaudited) SR 000
Contractors	340,147	202,092
Suppliers	80,515	41,938
Advances from customers	164	-
Others	699	5,922
Total	421,525	249,952

16. ACCRUED EXPENSES AND OTHERS

	30 September 2010 (Unaudited) SR 000	30 September 2009 (Unaudited) SR 000
Zakat provision	587,074	548,074
Islamic Murabaha charges	14,171	15,564
Islamic Sukuk charges	47,281	12,817
Accrued expenses	17,638	4,068
Dividends payable	37,178	7,698
Others	864	1,718
Total	704,206	589,939

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2010

17. PROVISION FOR END-OF-SERVICE INDEMNITIES

This item represents the balance of provision for end-of-service indemnities as at 30 September. During the period the Group's management charged an amount of SR 3.60 million (30 September 2009: SR 3.02 million) to expenses. The movement during the period is as below:

	Nine-month period ended	
	30 September 2010 (Unaudited) SR 000	30 September 2009 (Unaudited) SR 000
Balance, beginning of the period	12,038	7,889
Charged to expenses during the period	3,603	3,019
Paid during the period	(1,824)	(812)
Balance, end of the period	13,817	10,096

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 September 2010 (Unaudited) SR 000	30 September 2009 (Unaudited) SR 000
	Earnings	
For the purpose of basic earnings per share :		
Income for the period from operating activities	1,267,530	1,807,923
Net income for the period	1,125,275	1,658,938
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.

20. DIVIDENDS

On 10 Rajab 1431H (corresponding to 23 June 2010), 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2010

21. COMMITMENTS

As at 30 September 2010, 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 458.08 million (30 September 2009: SR 852 million).

22. 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.

23. COMPARATIVE FIGURES

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