DAR AL ARKAN

REAL ESTATE DEVELOPMENT COMPANY

SAUDI JOINT STOCK COMPANY

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009

INDEX	PAGE
Independent auditors' report	1
Consolidated balance sheet	2
Consolidated statement of income	3
Consolidated statement of cash flows	4
Consolidated statement of changes in equity	5
Notes to the 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

INDEPENDENT AUDITORS' REPORT

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

Scope of Audit

We have audited the accompanying consolidated balance sheet of Dar Al Arkan Real Estate Development Company (A Saudi joint stock company) as at December 31, 2009, and the related consolidated statements of income, cash flows and changes in equity for the year then ended, and notes 1 to 21 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations which we required. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Dar Al Arkan Real Estate Development Company as at December 31, 2009, and the consolidated results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the Company's Articles of Association as these relate to the preparation and presentation of the consolidated financial statements.

Bakr A. Abulkhair
License No. 101

25 Muharram 1431
11 January 2010

Abdulqadir A. Al-Wohaib
License No. 48

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2009

	Notes	2009	2008
ASSETS		SR 000	SR 000
Current Assets			
Cash and cash equivalents		2,223,495	716,475
Accounts receivable	(5)	845,912	948,647
Prepaid expenses and others	(6)	232,806	1,736,635
Due from related parties	(7)	2,709	57,042
Projects in progress – short-term	(8 a)	677,431	1,148,200
Developed land – short-term		286,628	120,600
Total current assets		4,268,981	4,727,599
Non-Current Assets			
Projects in progress – long-term	(8 b)	8,591,036	6,772,765
Investments in land under development	(9)	3,683,391	3,727,480
Developed land – long-term		4,171,653	2,978,237
Investment properties		1,518,167	591,238
Investment in associates	(10)	1,162,360	1,120,000
Property and equipment	(11)	102,933	119,790
Deferred charges	(12)	98,269	126,871
Total Non-Current Assets		19,327,809	15,436,381
TOTAL ASSETS		23,596,790	20,163,980
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Islamic borrowings – current portion	(13)	2,700,000	1,635,000
Accounts payable	(14)	470,957	171,207
Accrued expenses and others	(15)	635,136	613,387
Total current liabilities		3,806,093	2,419,594
Non-Current Liabilities			
Islamic borrowings	(13)	5,654,742	6,000,000
Provision for end-of-service indemnities	(16)	12,038	7,889
Total Non-Current Liabilities		5,666,780	6,007,889
Shareholders' Equity			
Share capital	(17)	10,800,000	7,200,000
Statutory reserve		462,268	3,600,000
Retained earnings		2,596,908	936,497
Equity attributable to Dar Al Arkan shareholders		13,859,176	11,736,497
Non-controlling interests from Group subsidiaries		264,741	-
Total Shareholders' Equity		14,123,917	11,736,497
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		23,596,790	20,163,980

Managing Director | Chief Financial Officer | Chief Internal Auditor

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 SR 000	2008 SR 000
Revenues from operations		5,464,053	5,610,768
Cost of operations		(2,956,916)	(2,765,587)
Gross profit	(18)	2,507,137	2,845,181
Operating expenses:			
General, administrative, selling and marketing expenses		(145,678)	(149,632)
Depreciation of property and equipment		(17,531)	(22,252)
Amortisation of deferred charges		(23,083)	(27,671)
Income for the year from operating activities		2,320,845	2,645,626
Other Income / (expenses) :			
Share of loss from investment in associates		(4,640)	-
Islamic Murabaha charges		(59,078)	(49,462)
Islamic Sukuk charges		(87,152)	(196,388)
Other income		2,704	16,894
Income for the year before Zakat		2,172,679	2,416,670
Zakat provision		(50,000)	(60,423)
Net income for the year		2,122,679	2,356,247
Earnings per share (in Saudi Riyal)	(19)		
From operating activities		2.15	2.44
From net income for the year		1.97	2.18

Managing Director   Chief Financial Officer   Chief Internal Auditor

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
	SR 000	SR 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income for the year before zakat	2,172,679	2,416,670
Adjustment for:		
Depreciation of property and equipment	17,531	22,252
Amortisation of deferred charges	23,083	27,671
Provision for end-of-service indemnities	5,222	3,581
Share of loss from investment in associates	4,640	-
Changes in operating assets and liabilities		
Accounts receivable	102,735	(458,441)
Prepaid expenses and others	1,503,829	(354,543)
Due from related parties	54,333	(53,466)
Projects in progress – short-term	470,769	983,893
Developed land – short-term	(166,028)	430,787
Accounts payable	299,750	63,488
Accrued expenses and others	(28,251)	(284,642)
End-of- service indemnities paid	(1,073)	(167)
Zakat paid	-	(24,277)
Net cash from operating activities	4,459,219	2,772,806
CASH FLOWS FROM INVESTING ACTIVITIES		
Projects in progress – long-term	(1,818,271)	(425,069)
Investments in land under development	44,089	(2,432,390)
Developed land – long-term	(1,193,416)	(743,786)
Investment properties	(926,929)	(327,544)
Investment in associates	(47,000)	(1,045,000)
Purchase of property and equipment	(2,232)	(3,472)
Proceeds from disposal of property and equipment	1,559	22
Net cash used in investing activities	(3,942,200)	(4,977,239)
CASH FLOWS FROM FINANCING ACTIVITIES		
Islamic Murabaha	(30,258)	1,235,000
Islamic Sukuk	750,000	-
Dividends	-	(1,620,000)
Non-controlling interests	264,741	-
Deferred charges	5,518	(40,957)
Net cash from / (used in) financing activities	990,001	(425,957)
Increase/(decrease) in cash and cash equivalents	1,507,020	(2,630,390)
Cash and cash equivalents, beginning of the year	716,475	3,346,865
CASH AND CASH EQUIVALENTS, END OF THE YEAR	2,223,495	716,475

Managing Director   Chief Financial Officer   Chief Internal Auditor

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Share Capital	Statutory Reserve	Retained Earnings	Equity attributable to Dar Al Arkan Shareholders
2008	SR 000	SR 000	SR 000	SR 000
Balance as at 1 January 2008	5,400,000	3,242,254	2,357,996	11,000,250
Dividends	-	-	(1,620,000)	(1,620,000)
Capital increase through transfer from retained earnings	1,800,000		(1,800,000)	-
Net income for the year	-	-	2,356,247	2,356,247
Transfer to statutory reserve		357,746	(357,746)	-
Balance as at 31 December 2008	7,200,000	3,600,000	936,497	11,736,497
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 year	-	-	2,122,679	2,122,679
Transfer to statutory reserve		212,268	(212,268)	-
Balance as at 31 December 2009	10,800,000	462,268	2,596,908	13,859,176

Managing Director   Chief Financial Officer   Chief Internal Auditor

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

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 the purchase, acquisition, lease and investment in real estate.

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.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted by the Group:

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the Generally Accepted Accounting Standards issued by the Saudi Organisation for Certified Public Accountants (SOCPA).

2.2 ACCOUNTING CONVENTION

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

2.3 BASIS OF CONSOLIDATION

The consolidated financial statements of the Group incorporate the financial statements of the companies and enterprises controlled by the Group (its subsidiaries) made up to 31 December 2009.

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 consolidated statement of income.

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

Investments in associates

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

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

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

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

2.4 PROPERTY AND EQUIPMENT

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

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

Buildings	3%
Vehicles	25%
Furniture and fixtures	20% – 25%
Electrical appliances	20% – 25%
Leasehold improvements	5% – 20%
Prefabricated houses	25%
Tools	20%
Signboards	20%

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

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

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

2.5 INVESTMENT PROPERTIES

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

Buildings	3%

Gains or losses arising from the retirement or disposal of investment properties being the difference between the net disposal proceeds and carrying value are included in the consolidated statement of income for the 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 consolidated statement of Income in the period in which they are incurred.

2.7 ACCOUNTS RECEIVABLES

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

2.8 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.

2.9 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 amortized cost and are recognised in the consolidated statement of income over the term of the instrument.

2.10 ACCOUNTS PAYABLES

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

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. Revenue is measured at the value of consideration received.

Revenue is recognised from the sale of development properties on legal completion or unconditional exchange.

2.12 ZAKAT TAXATION

Zakat is calculated and recognised in the 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.

2.13 FOREIGN CURRENCIES

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

2.14 STATUTORY RESERVE

According to the article (176) of the Regulations for Companies, 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. Statutory reserve is not subject to dividend distribution.

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 at the rate of the employee's current salary and are paid on cessation of employment.

2.16 LEASING

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

2.17 OPERATING EXPENSES

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

3. USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting standards requires use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting 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. There are currently no revenue streams being recognized during the period from DAR Properties or DAR Investments, as such only one reportable segment is recognized as at 31 December 2009.

Products and services

DAR projects is principally focused on the development of basic infrastructure on undeveloped land and the sale of such land and the development and sale of residential and commercial projects (note 18).

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.

5. ACCOUNTS RECEIVABLE

	2009	2008
	SR 000	SR 000
Customers	850,412	953,126
Provision for doubtful debtors	(4,500)	(4,479)
Total	845,912	948,647

6. PREPAID EXPENSES AND OTHERS

	2009	2008
	SR 000	SR 000
Advance payments to purchase land	121,194	1,334,340
Advance for investments	-	250,000
Advance payments to contractors	99,430	101,206
Advance payments to suppliers	3,032	-
Prepaid expenses	5,968	43,791
Employees' advances and receivables	3,148	2,838
Others	34	4,460
Total	232,806	1,736,635

7. RELATED PARTY TRANSACTIONS

During the year, the Group sold residential homes to individuals who sought financing from Saudi Home Loans, which is an associate to the Group. In these instances, Saudi Home Loans pays the consideration in respect of the residential property sale to the Group on behalf of the individual. There is no recourse to the Group if such lending by Saudi Home Loans results in a bad debt. The balance with Saudi Home Loans as at 31 December 2009 is SR 2,709 thousand (31 December 2008: SR 57,042 thousand).

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

For the year ended 31 December 2009 and the year ended 31 December 2008, the Group entered into transactions with non-associate related parties in aggregate amounts of SR 12.4 million (US $ 3.3 million), SR 20.4 million (US $ 5.5 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:**

	2009 SR 000	2008 SR 000
Residential and commercial development	677,431	988,841
Land development projects	-	159,359
Total	677,431	1,148,200

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:**

	2009 SR 000	2008 SR 000
Residential and commercial development	3,345,670	3,205,959
Land development projects	5,245,366	3,566,806
Total	8,591,036	6,772,765

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 year the Group's management capitalised Islamic Sukuk charges in the amount of SR 139.40 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. 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%. The Group's share of losses in these associates over which the Group exercises significant influence amounted to SR 4.64 million for the year ended 31 December 2009 (31 December 2008: nil).

11. PROPERTY AND EQUIPMENT

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

	Buildings	Vehicles	Furniture & Fixtures	Electrical Appliances	Leasehold Improvements	Prefabricated houses	Tools	Signboards	Total
	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000
Cost									
Balance at 1 January, 2009	109,146	11,966	21,450	16,764	12,624	8,719	5,423	6,002	192,094
Additions for the year	-	340	265	1,368	259	-	-	-	2,232
Transfers / Disposals during the year	-	(2,317)	(967)	(1,213)	-	-	(796)	-	(5,293)
Balance at 31 December 2009	109,146	9,989	20,748	16,919	12,883	8,719	4,627	6,002	189,033
Accumulated Depreciation									
Balance at 1 January, 2009	14,225	9,317	13,519	10,786	8,435	7,861	3,469	4,691	72,303
Depreciation for the year	4,296	1,394	3,400	2,676	2,290	2,180	490	805	17,531
Transfers / Disposals during the year	5,506	(1,767)	(877)	(1,090)	-	(5,506)	-	-	(3,734)
Balance at 31 December 2009	24,027	8,944	16,042	12,372	10,725	4,535	3,959	5,496	86,100
Net book value 31 December 2009	85,119	1,045	4,706	4,547	2,158	4,184	668	506	102,933
Net book value 31 December 2008	94,921	2,648	7,931	5,978	4,189	858	1,954	1,311	119,790

12. DEFERRED CHARGES

The movement of deferred charges during the year is as follows:

	2009 SR 000	2008 SR 000
Deferred charges, beginning of the year	126,871	113,585
Additions during the year	29,949	59,466
Capitalisation during the year	(35,468)	(18,509)
Amortisation charge for the year	(23,083)	(27,671)
Deferred charges, end of the year	98,269	126,871

13. ISLAMIC BORROWINGS

	2009 SR 000	2008 SR 000
Islamic Sukuk – International	6,000,000	6,000,000
Islamic Sukuk – Local	750,000	-
Islamic Murabaha	1,604,742	1,635,000
Total borrowings , end of the year	8,354,742	7,635,000
Less: Islamic borrowings – current portion	2,700,000	1,635,000
Islamic borrowings - long-term	5,654,742	6,000,000

Repayable as follows:

	2009 SR 000	2008 SR 000
Within one year	2,700,000	1,635,000
In the second year	600,000	2,250,000
In the third to fifth years inclusive	5,054,742	3,750,000
	8,354,742	7,635,000

Analysis of borrowings:

Islamic Sukuk – International

This represents SR 6 billion of Islamic Sukuk comprising:

1) SR 2.25 billion (USD 600 million) of Islamic Sukuk carried in the books of the Group, which is issued by Dar International Sukuk Company at LIBOR plus profit margin of 2% and maturing in 2010.

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

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. There is no exposure to foreign exchange risk since the Saudi Arabian Riyal is limited to fluctuations in the US Dollar.

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 31 December 2009.

Islamic Murabaha

This represents SR 1,800 million 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 an annual profit margin of 2.5%. The facility is repayable in eight equal semi-annual payments starting in 2010.

2) An Amount of SR 400 million in the form of short-term Islamic Murabaha bearing finance charges at prevailing rates between the local banks plus an 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 bear 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 bear finance charges at prevailing rates between local banks plus an annual profit margin of 2.25% and matures in 2012. As at 31 December 2009, the Group has utilised SR 304.74 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 31 December 2009.

There were no defaults or breaches of facilities terms during the current or preceding year.

14. ACCOUNTS PAYABLE

The detail of the above account is as follows:

	2009	2008
	SR 000	SR 000
Contractors	219,421	164,611
Suppliers	20,459	6,596
Advances from customers	225,000	-
Others	6,077	-
Total	470,957	171,207

15. ACCRUED EXPENSES AND OTHERS

	2009	2008
	SR 000	SR 000
Zakat provision	560,074	510,074
Islamic Murabaha charges	20,764	39,462
Islamic Sukuk charges	32,295	48,106
Accrued expenses	10,506	6,356
Other credit balances	11,497	9,389
Total	635,136	613,387

Zakat provision

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

	2009	2008
	SR 000	SR 000
Zakat base:		
Capital and statutory reserve – beginning of the year	10,800,000	8,642,254
Provisions – beginning of the year after deduction of amounts paid during the year	516,890	482,715
Adjusted net income for the year – Note 14/b	2,177,901	2,420,251
Retained earnings after dividends	936,497	737,997
Islamic Murabaha	900,000	-
Islamic Sukuk	6,000,000	6,000,000
Total Zakat base	21,331,288	18,283,217
Deductions		
Total deduction after adjustment	(19,327,809)	(15,866,297)
Zakat base	2,003,479	2,416,920
Estimated Zakat provision for the year	50,000	60,423

b) Adjusted net income for the year:

	2009	2008
	SR 000	SR 000
Adjusted net income:		
Net income for the year	2,172,679	2,416,670
Provisions	5,222	3,581
Adjusted net income	2,177,901	2,420,251

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

	2009	2008
	SR 000	SR 000
Balance beginning of the year	510,074	473,928
Payments during the year	-	(24,277)
Estimated Zakat for the current year	50,000	60,423
Estimated Zakat provision	560,074	510,074

d) The last Zakat certificate received by the Group was for the period ended 30/12/1423 H (corresponding to 4/3/2003 G).

16. PROVISION FOR END OF SERVICE INDEMNITIES

This item represents the balance of provision for end of service benefits as at 31 December 2009. During the year the Group's management charged an amount of SR 5.22 million (2008: SR 3.58 million) to expenses. The movement during the year is as below:

	2009	2008
	SR 000	SR 000
Balance, beginning of the year	7,889	4,475
Charged to expenses during the year	5,222	3,581
Paid during the year	(1,073)	(167)
Balance, end of the year	12,038	7,889

17. SHARE CAPITAL

On 14 Rajab 1430 H (corresponding to 7 July 2009 G), the General Assembly of the Group held its extraordinary meeting and approved the increase in the Group's share capital from SR 7.2 billion to SR 10.8 billion by issuing 360 million additional shares at SR 10 per share, by transferring SR 3.6 billion from the statutory reserve and retained earnings. The shareholders who were registered in the shareholders' records at the end of the trading day of 14 Rajab 1430 H (corresponding to 7 July 2009 G) were granted one share for each two shares held at that date.

18. GROSS PROFIT

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.

	2009	2008
	SR 000	SR 000
REVENUES		
Sales of residential properties	519,321	990,375
Sales of land	4,944,732	4,620,393
Total	5,464,053	5,610,768
COST OF SALES		
Residential properties	398,313	566,929
Land	2,558,603	2,198,658
Total	2,956,916	2,765,587
GROSS PROFIT		
Residential properties	121,008	423,446
Land	2,386,129	2,421,735
Total	2,507,137	2,845,181

19. EARNINGS PER SHARE

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

	2009	2008
	SR 000	SR 000
Earnings		
Earnings for the purpose of basic earnings per share:		
Income for the year from operating activities	2,320,845	2,645,626
Net income for the year	2,122,679	2,356,247
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. COMMITMENTS

As at 31 December 2009, 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 680 million (2008: SR 1,061 million).

21. COMPARATIVE FIGURES

Certain comparative figures of 2008 have been reclassified to conform to the presentation adopted in the current year.