CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

# CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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

Talal Abu-Ghazaleh & Co.

Member of Talal Abu-Ghazaleh Organization

License No. 96

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) (the "Company") as at December 31, 2010, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and notes 1 to 22 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, 2010, 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 bylaws as these relate to the preparation and presentation of the consolidated financial statements.

Deloitte & Touche Bakr Abulkhair & Co. Talal Abu-Ghazaleh & Co.

Bakr A. Abulkhair

Certified Public Accountants of Abulkh License No. 101

8 Safar 1432 12 January 2011 Abdulqadir A. Al-Wohaib Certified Public Accountant

License No. 48

# CONSOLIDATED BALANCE SHEET AS AY 31 DECEMBER 2010

ASSETS		Notes	2010	2009
Cash and cash equivalents         1,188,513         2,223,495           Accounts receivable         (5)         1,667,000         845,912           Prepaid expenses and others         (6)         556,391         232,806           Due from related parties         (7)         1,364         2,709           Projects in progress – short-term         (8 a)         184,660         677,431           Developed land – short-term         270,887         286,628           Total Current Assets         3,868,815         4,268,981           Non-Current Assets         3,8648,818         8,591,036           Investments in land under development         (9)         4,731,660         3,683,391           Developed land – long-term         (9)         4,731,660         3,683,391           Investment in associates         (10)         1,162,360         1,162,360           Investment in associates         (10)         1,162,360         1,162,360           Projectly and equipment         (11)         91,026         102,933           Deferred charges         (12)         1,916         2,926,939           Total Non-Current Assets         19,480,046         19,232,496           Total Non-Current Liabilities         19,232,496         19,232,496	ASSETS		SR 000	SR 000
Accounts receivable (5) 1,667,000 845,912 Prepaid expenses and others (6) 556,391 232,806 Due from related parties (7) 1,364 2,709 Projects in progress – short-term (8 a) 184,660 677,431 Developed land – short-term 270,887 286,628  Total Current Assets 3,868,815 4,268,981 Non-Current Assets Projects in progress – long-term (8 b) 8,648,818 8,591,036 Investments in land under development (9) 4,731,660 3,683,391 Investments in land under development (9) 4,731,660 3,683,391 Investment properties 1,914,327 1,518,167 Investment in associates (10) 1,162,360 1,162,360 Property and equipment (11) 91,026 102,933 Deferred charges (12) 1,916 2,956  Total Non-Current Assets 19,480,046 19,232,496  TOTAL ASSETS 23,348,861 23,501,477  LIABILITIES AND EQUITY Current Liabilities Islamic borrowings – current portion (13) 1,000,000 2,687,760 Accounts payable (15) 423,819 470,957 Accrued expenses and others (16) 733,739 635,136 Total Current Liabilities Islamic borrowings – current portion (13) 6,679,076 5,571,669 Provision for end-of-service Indemnities (17) 12,599 12,038  Total Non-Current Liabilities Islamic borrowings (13) 6,679,076 5,571,669 Provision for end-of-service Indemnities (17) 12,599 12,038  Total Non-Current Liabilities Slamic borrowings (18) 10,800,000 10,800,000 Statutory reserve 6,691,675 5,583,707  Shareholders' Equity Share capital (18) 10,800,000 10,800,000 Statutory reserve 607,768 462,268 Retained earnings 2,827,119 2,996,908 Equity attributable to Dar Al Arkan shareholders 14,234,887 13,859,176 Non-controlling interests from Group subsidiaries 264,741 264,741	Current Assets			
Prepaid expenses and others         (6)         556,391         232,806           Due from related parties         (7)         1,364         2,709           Projects in progress - short-term         (8 a)         184,660         677,431           Developed land - short-term         270,887         286,628           Total Current Assets         3,868,815         4,268,981           Non-Current Assets         3,868,815         4,268,981           Non-Current Assets         4,731,660         3,683,391           Investment in land under development         (9)         4,731,660         3,683,391           Developed land – long-term         2,929,939         4,171,653           Investment in associates         (10)         1,162,360         1,162,360           Property and equipment         (11)         91,026         102,933           Deferred charges         (12)         1,916         2,956           Total Non-Current Assets         19,480,046         19,232,496           TOTAL ASSETS         23,348,861         23,501,477           LIABILITIES AND EQUITY         2         1,000,000         2,687,760           Accrued expenses and others         (16)         733,739         635,136           Total Current Liabilities	Cash and cash equivalents		1,188,513	2,223,495
Due from related parties         (7)         1,364         2,709           Projects in progress – short-term         (8 a)         184,660         677,431           Developed land – short-term         270,887         286,628           Total Current Assets         3,868,815         4,268,981           Non-Current Assets         8,648,818         8,591,036           Projects in progress – long-term         (8 b)         8,648,818         8,591,036           Investments in land under development         (9)         4,731,660         3,683,391           Developed land – long-term         2,929,939         4,171,653           Investment properties         1,914,327         1,518,167           Investment in associates         (10)         1,162,360         1,623,60           Property and equipment         (11)         91,026         102,933           Deferred charges         (12)         1,916         2,956           Total Non-Current Assets         19,480,046         19,232,496           TOTAL ASSETS         23,348,861         23,501,477           LIABILITIES AND EQUITY         2         2,496           Current Liabilities         1,5         423,819         470,957           Slamic borrowings – current portion         (13)			1,667,000	845,912
Projects in progress - short-term   (8 a)   184,660   677,431   Developed land - short-term   270,887   286,628   286,628   270,887   286,628   270,887   286,628   270,887   286,628   270,887   286,628   270,887   286,628   270,887   286,628   270,887   286,628   270,887   286,628   270,887   286,628   270,887   286,628   270,887   286,628   270,887   286,628   270,887   286,628   270,887   286,628   270,887   286,628   270,887   286,628   286,818   8,591,036   286,818   8,591,036   286,818   8,591,036   286,818   8,591,036   292,939   4,71,653   292,939   4,71,653   292,939   4,71,655   292,939   4,71,655   292,939   4,71,655   292,939   4,71,655   292,939   4,71,655   292,939   2,756   295,600   2,687,600   2,687,600   2,987   2,985   2	·			232,806
Developed land – short-term         270,887         286,628           Total Current Assets         3,868,815         4,268,981           Non-Current Assets         8         4,268,981           Projects in progress – long-term (8 b)         8,648,818         8,591,036           Investments in land under development (9)         4,731,660         3,683,391           Developed land – long-term (2,929,939)         4,171,653           Investment properties (10)         1,162,360         1,162,360           Investment in associates (10)         1,162,360         102,933           Property and equipment (11)         91,026         102,933           Deferred charges (12)         1,916         2,956           Total Non-Current Assets (12)         19,480,046         19,232,496           TOTAL ASSETS (23,348,861)         23,501,477           LIABILITIES AND EQUITY         Current Use				
Total Current Assets		(8a)		
Non-Current Assets	Developed land – short-term	-	270,887	286,628
Non-Current Assets	Total Current Assets		3,868,815	4,268,981
Investments in land under development   (9 )	Non-Current Assets	-		
Developed land – long-term   2,929,939   4,171,653     Investment properties   1,914,327   1,518,167     Investment in associates   (10 )	Projects in progress - long-term	(8b)	8,648,818	8,591,036
Investment properties   1,914,327   1,518,167     Investment in associates   (10)   1,162,360   1,162,360     Property and equipment   (11)   91,026   102,933     Deferred charges   (12)   1,916   2,956     Total Non-Current Assets   19,480,046   19,232,496     TOTAL ASSETS   23,348,861   23,501,477     LIABILITIES AND EQUITY	Investments in land under development	(9)	4,731,660	3,683,391
Investment in associates   (10	Developed land – long-term		2,929,939	4,171,653
Property and equipment         (11)         91,026         102,933           Deferred charges         (12)         1,916         2,956           Total Non-Current Assets         19,480,046         19,232,496           TOTAL ASSETS         23,348,861         23,501,477           LIABILITIES AND EQUITY         Current Liabilities           Islamic borrowings – current portion         (13)         1,000,000         2,687,760           Accounts payable         (15)         423,819         470,957           Accrued expenses and others         (16)         733,739         635,136           Total Current Liabilities         2,157,558         3,793,853           Non-Current Liabilities         (13)         6,679,076         5,571,669           Provision for end-of-service Indemnitles         (17)         12,599         12,038           Total Non-Current Liabilities         6,691,675         5,583,707           Shareholders' Equity         (18)         10,800,000         10,800,000           Statutory reserve         607,768         462,268           Retained earnings         2,827,119         2,596,908           Equity attributable to Dar Al Arkan shareholders         14,234,887         13,859,176           Non-controlling interests	Investment properties		1,914,327	1,518,167
Deferred charges   (12	Investment in associates		1,162,360	1,162,360
Total Non-Current Assets         19,480,046         19,232,496           TOTAL ASSETS         23,348,861         23,501,477           LIABILITIES AND EQUITY           Current Liabilities           Islamic borrowings – current portion         (13)         1,000,000         2,687,760           Accounts payable         (15)         423,819         470,957           Accrued expenses and others         (16)         733,739         635,136           Total Current Liabilities         2,157,558         3,793,853           Non-Current Liabilities         (13)         6,679,076         5,571,669           Provision for end-of-service Indemnities         (17)         12,599         12,038           Total Non-Current Liabilities         6,691,675         5,583,707           Share holders' Equity         (18)         10,800,000         10,800,000           Statutory reserve         607,768         462,268           Retained earnings         2,827,119         2,596,908           Equity attributable to Dar Al Arkan shareholders         14,234,887         13,859,176           Non-controlling interests from Group subsidiaries         264,741         264,741           Total Equity         14,499,628         14,123,917				
TOTAL ASSETS         23,348,861         23,501,477           LIABILITIES AND EQUITY           Current Liabilities           Islamic borrowings – current portion         (13)         1,000,000         2,687,760           Accounts payable         (15)         423,819         470,957           Accrued expenses and others         (16)         733,739         635,136           Total Current Liabilities         2,157,558         3,793,853           Non-Current Liabilities         (13)         6,679,076         5,571,669           Provision for end-of-service Indemnitles         (17)         12,599         12,038           Total Non-Current Liabilities         6,691,675         5,583,707           Shareholders' Equity         (18)         10,800,000         10,800,000           Statutory reserve         607,768         462,268           Retained earnings         2,827,119         2,596,908           Equity attributable to Dar Al Arkan shareholders         14,234,887         13,859,176           Non-controlling interests from Group subsidiaries         264,741         264,741           Total Equity         14,499,628         14,123,917	Deferred charges	(12)	1,916	2,956
LIABILITIES AND EQUITY         Current Liabilities         Islamic borrowings – current portion       (13)       1,000,000       2,687,760         Accounts payable       (15)       423,819       470,957         Accrued expenses and others       (16)       733,739       635,136         Total Current Liabilities       2,157,558       3,793,853         Non-Current Liabilities       5       5,571,669         Provision for end-of-service Indemnitles       (17)       12,599       12,038         Total Non-Current Liabilities       6,691,675       5,583,707         Shareholders' Equity       (18)       10,800,000       10,800,000         Statutory reserve       607,768       462,268         Retained earnings       2,827,119       2,596,908         Equity attributable to Dar Al Arkan shareholders       14,234,887       13,859,176         Non-controlling interests from Group subsidiaries       264,741       264,741         Total Equity       14,499,628       14,123,917	Total Non-Current Assets	_	19,480,046	19,232,496
Current Llabilities       (13)       1,000,000       2,687,760         Accounts payable       (15)       423,819       470,957         Accrued expenses and others       (16)       733,739       635,136         Total Current Liabilities       2,157,558       3,793,853         Non-Current Liabilities       5,571,669         Islamic borrowings       (13)       6,679,076       5,571,669         Provision for end-of-service Indemnities       (17)       12,599       12,038         Total Non-Current Liabilities       6,691,675       5,583,707         Shareholders' Equity       (18)       10,800,000       10,800,000         Statutory reserve       607,768       462,268         Retained earnings       2,827,119       2,596,908         Equity attributable to Dar Al Arkan shareholders       14,234,887       13,859,176         Non-controlling interests from Group subsidiaries       264,741       264,741         Total Equity       14,499,628       14,123,917	TOTAL ASSETS	_	23,348,861	23,501,477
Current Llabilities       (13)       1,000,000       2,687,760         Accounts payable       (15)       423,819       470,957         Accrued expenses and others       (16)       733,739       635,136         Total Current Liabilities       2,157,558       3,793,853         Non-Current Liabilities       8       1,000,000       5,571,669         Provision for end-of-service Indemnities       (17)       12,599       12,038         Total Non-Current Liabilities       6,691,675       5,583,707         Shareholders' Equity       (18)       10,800,000       10,800,000         Statutory reserve       607,768       462,268         Retained earnings       2,827,119       2,596,908         Equity attributable to Dar Al Arkan shareholders       14,234,887       13,859,176         Non-controlling interests from Group subsidiaries       264,741       264,741         Total Equity       14,499,628       14,123,917	LIABILITIES AND FOUITY			
Slamic borrowings - current portion   (13 )	•			
Accounts payable       (15)       423,819       470,957         Accrued expenses and others       (16)       733,739       635,136         Total Current Liabilities       2,157,558       3,793,853         Non-Current Liabilities       5,571,669         Islamic borrowings       (13)       6,679,076       5,571,669         Provision for end-of-service Indemnities       (17)       12,599       12,038         Total Non-Current Liabilities       6,691,675       5,583,707         Shareholders' Equity       5       5,583,707         Share capital       (18)       10,800,000       10,800,000         Statutory reserve       607,768       462,268         Retained earnings       2,827,119       2,596,908         Equity attributable to Dar Al Arkan shareholders       14,234,887       13,859,176         Non-controlling interests from Group subsidiaries       264,741       264,741         Total Equity       14,499,628       14,123,917		(13)	1,000,000	2 687 760
Accrued expenses and others         (16)         733,739         635,136           Total Current Liabilities         2,157,558         3,793,853           Non-Current Liabilities         5,571,669           Islamic borrowings         (13)         6,679,076         5,571,669           Provision for end-of-service Indemnities         (17)         12,599         12,038           Total Non-Current Liabilities         6,691,675         5,583,707           Shareholders' Equity         (18)         10,800,000         10,800,000           Statutory reserve         607,768         462,268           Retained earnings         2,827,119         2,596,908           Equity attributable to Dar Al Arkan shareholders         14,234,887         13,859,176           Non-controlling interests from Group subsidiaries         264,741         264,741           Total Equity         14,499,628         14,123,917				
Total Current Liabilities         2,157,558         3,793,853           Non-Current Liabilities         5,571,669           Islamic borrowings         (13)         6,679,076         5,571,669           Provision for end-of-service Indemnities         (17)         12,599         12,038           Total Non-Current Liabilities         6,691,675         5,583,707           Shareholders' Equity         5hareholders' Equity         10,800,000         10,800,000           Statutory reserve         607,768         462,268           Retained earnings         2,827,119         2,596,908           Equity attributable to Dar Al Arkan shareholders         14,234,887         13,859,176           Non-controlling interests from Group subsidiaries         264,741         264,741           Total Equity         14,499,628         14,123,917				
Non-Current Liabilities         Islamic borrowings       (13)       6,679,076       5,571,669         Provision for end-of-service Indemnitles       (17)       12,599       12,038         Total Non-Current Liabilities       6,691,675       5,583,707         Shareholders' Equity       5hare capital       (18)       10,800,000       10,800,000         Statutory reserve       607,768       462,268       462,268         Retained earnings       2,827,119       2,596,908         Equity attributable to Dar Al Arkan shareholders       14,234,887       13,859,176         Non-controlling interests from Group subsidiaries       264,741       264,741         Total Equity       14,499,628       14,123,917	•	` ′ -		
Islamic borrowings       (13)       6,679,076       5,571,669         Provision for end-of-service Indemnitles       (17)       12,599       12,038         Total Non-Current Liabilities       6,691,675       5,583,707         Shareholders' Equity       5hare capital       (18)       10,800,000       10,800,000         Statutory reserve       607,768       462,268         Retained earnings       2,827,119       2,596,908         Equity attributable to Dar Al Arkan shareholders       14,234,887       13,859,176         Non-controlling interests from Group subsidiaries       264,741       264,741         Total Equity       14,499,628       14,123,917		-	<u> </u>	, ,
Provision for end-of-service Indemnitles         (17)         12,599         12,038           Total Non-Current Liabilities         6,691,675         5,583,707           Shareholders' Equity         10,800,000         10,800,000           Statutory reserve         607,768         462,268           Retained earnings         2,827,119         2,596,908           Equity attributable to Dar Al Arkan shareholders         14,234,887         13,859,176           Non-controlling interests from Group subsidiaries         264,741         264,741           Total Equity         14,499,628         14,123,917				
Total Non-Current Liabilities         6,691,675         5,583,707           Shareholders' Equity         10,800,000         10,800,000           Statutory reserve         607,768         462,268           Retained earnings         2,827,119         2,596,908           Equity attributable to Dar Al Arkan shareholders         14,234,887         13,859,176           Non-controlling interests from Group subsidiaries         264,741         264,741           Total Equity         14,499,628         14,123,917	_			
Shareholders' Equity         (18)         10,800,000         10,800,000           Statutory reserve         607,768         462,268           Retained earnings         2,827,119         2,596,908           Equity attributable to Dar Al Arkan shareholders         14,234,887         13,859,176           Non-controlling interests from Group subsidiaries         264,741         264,741           Total Equity         14,499,628         14,123,917	Provision for end-of-service Indemnities	(17)	12,599	12,038
Share capital       (18)       10,800,000       10,800,000         Statutory reserve       607,768       462,268         Retained earnings       2,827,119       2,596,908         Equity attributable to Dar Al Arkan shareholders       14,234,887       13,859,176         Non-controlling interests from Group subsidiaries       264,741       264,741         Total Equity       14,499,628       14,123,917	Total Non-Current Liabilities		6,691,675	5,583,707
Statutory reserve         607,768         462,268           Retained earnings         2,827,119         2,596,908           Equity attributable to Dar Al Arkan shareholders         14,234,887         13,859,176           Non-controlling interests from Group subsidiaries         264,741         264,741           Total Equity         14,499,628         14,123,917	Shareholders' Equity	_		
Retained earnings         2,827,119         2,596,908           Equity attributable to Dar Al Arkan shareholders         14,234,887         13,859,176           Non-controlling interests from Group subsidiaries         264,741         264,741           Total Equity         14,499,628         14,123,917	Share capital	(18)	10,800,000	10,800,000
Equity attributable to Dar Al Arkan shareholders Non-controlling interests from Group subsidiaries  Total Equity  14,234,887 264,741 264,741  14,499,628 14,123,917	Statutory reserve		607,768	462,268
Non-controlling interests from Group subsidiaries 264,741 264,741  Total Equity 14,499,628 14,123,917	Retained earnings	_	2,827,119	2,596,908
Non-controlling interests from Group subsidiaries 264,741 264,741  Total Equity 14,499,628 14,123,917	Equity attributable to Dar Al Arkan shareholders		14,234,887	13,859,176
TOTAL LIABILITIES AND EQUITY 23,348,861 23,501,477	Total Equity	-	14,499,628	14,123,917
	TOTAL LIABILITIES AND EQUITY	_	23,348,861	23,501,477

# CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

Revenues from operations  Cost of operations	<u>Notes</u>	2010 SR 000 4,141,981 (2,377,724)	2009 SR 000 5,464,053 (2,956,916)
Gross profit	(4)	1,764,257	2,507,137
Operating expenses: General, administrative, selling and		(405, 452)	445.570)
marketing expenses		(106,452)	(145,678)
Depreciation		(14,260)	(17,531)
Amortisation of deferred charges	(12,13a)	(25,887)	(23,083)
Income for the year from operating activities		1,617,658	2,320,845
Other Income / (expenses) :			
Share of Income/(loss) from investment in associates		-	(4,640)
Islamic Murabaha charges		(59,890)	(59,078)
Islamic Sukuk charges		(154,421)	(87,152)
Other income		79,364	2,704
Income for the year before Zakat		1,482,711	2,172,679
Zakat provision	(16a)	(27,000)	(50,000)
Net income for the year		1,455,711	2,122,679
Earnings per share ( in Saudi Riyal )	(19)		
From operating activities		1.50	2.15
From net Income for the year		1.35	1.97

Marraging Director

Chief Financial Officer

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

A			
CASH FLOWS FROM OPERATING ACTIVITIES         1,482,711         2,172,679           Income for the year before zakat         1,482,711         2,172,679           Adjustment for:         2         2           Depreciation         14,260         17,531           Amortisation of deferred charges         25,887         23,083           Provision for end-of-service indemnities         2,536         5,222           Share of loss from investment in associates         2         4,640           Changes in operating assets and liabilities         4,640           Changes in operating assets and others         (25,812)         290,683           Due from related parties         1,345         54,333           Prepaid expenses and others         (25,812)         290,683           Due from related parties         492,771         470,769           Projects in progress – short-term         15,741         (166,028           Accounts payable         (47,138)         299,750           Accounts payable         (47,138)         299,750           Accounts payable         (47,138)         299,750           Accounts payable         (47,138)         3,246,073           Net cash from operating activities         1,210,31           Ret cash from operating ac			
Name	CACH ELONG EDONA ODEDATING ACTIVITIES	SR 000	SR 000
Adjustment for:         14,260         17,531           Depreciation         14,260         17,531           Amortisation of deferred charges         25,887         23,083           Provision for end-of-service indemnities         2,536         5,222           Share of loss from investment in associates         -         4,640           Changes in operating assets and liabilities         -         4,640           Accounts receivable         (821,088)         102,735           Prepaid expenses and others         (25,812)         290,683           Due from related parties         1,345         54,333           Projects in progress – short-term         492,771         470,769           Developed land – short-term         15,741         (166,028)           Accounts payable         (47,138)         299,750           Accrued expenses and others         71,603         (28,251)           End-of-service indemnities paid         (1,973)         (1,073)           Net cash from operating activities         1,210,841         3,246,073           CASH FLOWS FROM INVESTING ACTIVITIES         (57,782)         (1,818,271)           Investments in land under development         (1,083,269)         4,089           Developed land – long-term         (57,782)		1 482 711	2 172 679
Depreciation         14,260         17,531           Amortisation of deferred charges         25,887         23,083           Provision for end-of-service indemnities         2,536         5,222           Share of loss from investment in associates         2,536         5,222           Changes in operating assets and liabilities         4,640           Accounts receivable         (821,088)         102,735           Prepaid expenses and others         (25,812)         290,683           Due from related parties         1,345         54,333           Projects in progress – short-term         492,771         470,769           Developed land – short-term         15,741         (166,028)           Accounts payable         (47,138)         299,750           Accrued expenses and others         71,603         (28,251)           End-of- service indemnities paid         (1,975)         (1,073)           Net cash from operating activities         1,210,841         3,246,073           Net cash from operating activities         (57,782)         (1,073)           Projects in progress – long-term         (57,782)         (1,818,271)           Investment in land under development         (1,048,269)         4,089           Developed land – long-term         1,241,714	·	2,702,711	2,172,073
Amortisation of deferred charges         25,887         23,083           Provision for end-of-service indemnities         2,536         5,222           Share of loss from investment in associates         4,640           Changes in operating assets and liabilities         821,088         102,735           Accounts receivable         (821,088)         102,735           Prepaid expenses and others         (25,812)         290,683           Due from related parties         1,345         54,333           Projects in progress - short-term         492,771         470,769           Developed land - short-term         15,741         (166,028)           Accounts payable         (47,138)         299,750           Accrued expenses and others         71,603         (28,251)           End-of- service indemnities paid         (1,975)         (1,073)           Net cash from operating activities         1,210,841         3,246,073           CASH FLOWS FROM INVESTING ACTIVITIES         (57,782)         (1,818,271)           Investments in land under development         (1,048,269)         44,089           Developed land – long-term         (297,773)         1,213,146           Investment properties         (396,910)         (926,929)           Investment in associates	•	14 260	17 531
Provision for end-of-service indemnities         2,536         5,222           Share of loss from investment in associates         -         4,640           Changes in operating assets and liabilities         -         2,735           Accounts receivable         (821,088)         102,735           Prepaid expenses and others         (25,812)         290,683           Due from related parties         1,345         54,333           Projects in progress – short-term         492,771         470,769           Developed land – short-term         15,741         (166,028)           Accounts payable         (47,138)         299,750           Accounts payable         (47,138)         299,750           Accounts payable         (47,138)         299,750           Accounts payable strip in defementities paid         (1,975)         (1,073)           Net cash from operating activities         1,210,841         3,246,073           Net cash from operating activities         [57,782]         (1,818,271)           Investments in land under development         (1,048,269)         44,089           Developed land – long-term         (297,773)         1,213,146           Investments in land under development         (297,773)         1,213,146           Investment in associates	•		
Share of loss from investment in associates         4,640           Changes in operating assets and liabilities         310,735           Accounts receivable         (25,812)         290,683           Prepaid expenses and others         (25,812)         290,683           Due from related parties         1,345         54,333           Projects in progress – short-term         492,771         470,769           Developed land – short-term         15,741         (166,028)           Accounts payable         47,138)         299,750           Accrued expenses and others         71,603         (28,251)           End-of- service indemnities paid         (1,975)         (1,073)           Net cash from operating activities         1,210,841         3,246,073           CASH FLOWS FROM INVESTING ACTIVITIES         Trojects in progress – long-term         (57,782)         (1,818,271)           Investments in land under development         (1,048,269)         44,089           Developed land – long-term         (1,241,714         (1,193,416)           Advance payments to purchase land         (297,773)         1,213,146           Investment in associates         -         (47,000)           Purchase of property and equipment         (1,603)         (2,233)           Proceeds from	_		
Accounts receivable         (821,088)         102,735           Prepaid expenses and others         (25,812)         290,683           Due from related parties         1,345         54,333           Projects in progress – short-term         492,771         470,769           Developed land – short-term         15,741         (166,028)           Accounts payable         (47,138)         299,750           Accrued expenses and others         71,603         (28,251)           End-of- service indemnities paid         (1,975)         (1,073)           Net cash from operating activities         1,210,841         3,246,073           CASH FLOWS FROM INVESTING ACTIVITIES         Frojects in progress – long-term         [57,782]         (1,818,271)           Investments in land under development         (1,048,269)         44,089           Developed land – long-term         (1,048,269)         44,089           Developed land – long-term         (1,21,114         (1,193,416)           Advance payments to purchase land         (297,773)         1,213,146           Investment properties         (396,910)         (926,929)           Investment in associates         – (47,000)           Purchase of property and equipment         (1,603)         (2,233)           Proceeds	Share of loss from investment in associates	· -	-
Accounts receivable         (821,088)         102,735           Prepaid expenses and others         (25,812)         290,683           Due from related parties         1,345         54,333           Projects in progress – short-term         492,771         470,769           Developed land – short-term         15,741         (166,028)           Accounts payable         (47,138)         299,750           Accrued expenses and others         71,603         (28,251)           End-of- service indemnities paid         (1,975)         (1,073)           Net cash from operating activities         1,210,841         3,246,073           CASH FLOWS FROM INVESTING ACTIVITIES         Frojects in progress – long-term         [57,782]         (1,818,271)           Investments in land under development         (1,048,269)         44,089           Developed land – long-term         (1,048,269)         44,089           Developed land – long-term         (1,21,114         (1,193,416)           Advance payments to purchase land         (297,773)         1,213,146           Investment properties         (396,910)         (926,929)           Investment in associates         – (47,000)           Purchase of property and equipment         (1,603)         (2,233)           Proceeds	Changes in operating assets and liabilities		
Due from related parties         1,345         54,333           Projects in progress – short-term         492,771         470,769           Developed land – short-term         15,741         (166,028)           Accounts payable         (47,138)         299,750           Accrued expenses and others         71,603         (28,251)           End-of- service indemnities paid         (1,975)         (1,073)           Net cash from operating activities         3,246,073           CASH FLOWS FROM INVESTING ACTIVITIES         Frojects in progress – long-term         [57,782]         (1,818,271)           Investments in land under development         (1,048,269)         44,089           Developed land – long-term         1,241,714         (1,193,416)           Advance payments to purchase land         (297,773)         1,213,146           Investment properties         (396,910)         (926,929)           Investment in associates         –         (47,000)           Purchase of property and equipment         (1,603)         (2,233)           Proceeds from disposal of property and equipment         (560,623)         (2,729,055)           Net cash used in investing activities         (560,623)         (2,729,055)           CASH FLOWS FROM FINANCING ACTIVITIES         (1,080,000)         – <td></td> <td>(821,088)</td> <td>102,735</td>		(821,088)	102,735
Projects in progress – short-term         492,771         470,769           Developed land – short-term         15,741         (166,028)           Accounts payable         (47,138)         299,750           Accrued expenses and others         71,603         (28,251)           End-of- service indemnities paid         (1,975)         (1,073)           Net cash from operating activities         1,210,841         3,246,073           CASH FLOWS FROM INVESTING ACTIVITIES         Frojects in progress – long-term         (57,782)         (1,818,271)           Investments in land under development         (1,048,269)         44,089           Developed land – long-term         (1,048,269)         44,089           Developed land – long-term         (297,773)         1,213,146           Investment properties         (396,910)         (926,929)           Investment in associates         –         (47,000)           Purchase of property and equipment         (1,603)         (2,233)           Proceeds from disposal of property and equipment         –         (47,000)           Purchase of property and equipment         –         (47,000)           Net cash used in investing activities         (560,623)         (2,729,055)           CASH FLOWS FROM FINANCING ACTIVITIES         (560,623)	Prepaid expenses and others	-	290,683
Developed land – short-term         15,741         (166,028)           Accounts payable         (47,138)         299,750           Accrued expenses and others         71,603         (28,251)           End-of- service indemnities paid         (1,975)         (1,073)           Net cash from operating activities         1,210,841         3,246,073           CASH FLOWS FROM INVESTING ACTIVITIES         Variable of the projects in progress – long-term         (57,782)         (1,818,271)           Investments in land under development         (1,048,269)         44,089           Developed land – long-term         (1,048,269)         44,089           Advance payments to purchase land         (297,773)         1,213,146           Investment properties         (396,910)         (926,929)           Investment in associates         -         (47,000)           Purchase of property and equipment         (1,603)         (2,233)           Proceeds from disposal of property and equipment         -         1,559           Net cash used in investing activities         (560,623)         (2,729,055)           CASH FLOWS FROM FINANCING ACTIVITIES         (560,623)         (2,729,055)           CASH FLOWS FROM FINANCING ACTIVITIES         (560,623)         (2,729,055)           CASH FLOWS FROM FINANCING ACTIV	Due from related parties	1,345	54,333
Accounts payable         (47,138)         299,750           Accrued expenses and others         71,603         (28,251)           End-of- service indemnities paid         (1,975)         (1,073)           Net cash from operating activities         1,210,841         3,246,073           CASH FLOWS FROM INVESTING ACTIVITIES         Projects in progress – long-term         [57,782]         (1,818,271)           Investments in land under development         (1,048,269)         44,089           Developed land – long-term         1,241,714         (1,193,416)           Advance payments to purchase land         (297,773)         1,213,146           Investment properties         (396,910)         (926,929)           Investment in associates         -         (47,000)           Purchase of property and equipment         (1,603)         (2,233)           Proceeds from disposal of property and equipment         -         1,559           Net cash used in investing activities         (560,623)         (2,729,055)           CASH FLOWS FROM FINANCING ACTIVITIES         (605,200)         725,261           Islamic borrowings         (605,200)         725,261           Dividends         (1,080,000)         -           Non-controlling interests         (1,685,200)         990,002 </td <td>Projects in progress – short-term</td> <td>492,771</td> <td>470,769</td>	Projects in progress – short-term	492,771	470,769
Accrued expenses and others         71,603 (28,251)           End-of- service indemnities paid         (1,975)         (1,073)           Net cash from operating activities         1,210,841         3,246,073           CASH FLOWS FROM INVESTING ACTIVITIES           Projects in progress – long-term         (57,782)         (1,818,271)           Investments in land under development         (1,048,269)         44,089           Developed land – long-term         1,241,714         (1,193,416)           Advance payments to purchase land         (297,773)         1,213,146           Investment properties         (396,910)         (926,929)           Investment in associates         -         (47,000)           Purchase of property and equipment         (1,603)         (2,233)           Proceeds from disposal of property and equipment         (1,603)         (2,233)           Net cash used in investing activities         (560,623)         (2,729,055)           CASH FLOWS FROM FINANCING ACTIVITIES         Islamic borrowings         (605,200)         725,261           Dividends         (1,080,000)         -           Non-controlling interests         -         264,741           Net cash (used in) / from financing activities         (1,685,200)         990,002           Q	Developed land – short-term	15,741	(166,028)
End-of- service indemnities paid         (1,975)         (1,073)           Net cash from operating activities         1,210,841         3,246,073           CASH FLOWS FROM INVESTING ACTIVITIES         Frojects in progress – long-term         (57,782)         (1,818,271)           Investments in land under development         (1,048,269)         44,089           Developed land – long-term         1,241,714         (1,193,416)           Advance payments to purchase land         (297,773)         1,213,146           Investment properties         (396,910)         (926,929)           Investment in associates         -         (47,000)           Purchase of property and equipment         (1,603)         (2,233)           Proceeds from disposal of property and equipment         (560,623)         (2,729,055)           Net cash used in investing activities         (560,623)         (2,729,055)           CASH FLOWS FROM FINANCING ACTIVITIES         (50,200)         725,261           Islamic borrowings         (605,200)         725,261           Dividends         (1,080,000)         -           Non-controlling interests         -         264,741           Net cash (used in) / from financing activities         (1,685,200)         990,002           Quercease) / Increase in cash and cash equivalents <td>Accounts payable</td> <td>(47,138)</td> <td>299,750</td>	Accounts payable	(47,138)	299,750
Net cash from operating activities         1,210,841         3,246,073           CASH FLOWS FROM INVESTING ACTIVITIES         (57,782)         (1,818,271)           Projects in progress – long-term         (1,048,269)         44,089           Investments in land under development         (1,241,714)         (1,193,416)           Advance payments to purchase land         (297,773)         1,213,146           Investment properties         (396,910)         (926,929)           Investment in associates         - (47,000)           Purchase of property and equipment         (1,603)         (2,233)           Proceeds from disposal of property and equipment         - 1,559           Net cash used in investing activities         (560,623)         (2,729,055)           CASH FLOWS FROM FINANCING ACTIVITIES         (605,200)         725,261           Invidends         (1,080,000)         -           Non-controlling interests         - 264,741           Net cash (used in) / from financing activities         (1,685,200)         990,002           (Decrease)/ Increase in cash and cash equivalents         (1,034,982)         1,507,020           Cash and cash equivalents, beginning of the year         2,223,495         716,475	Accrued expenses and others	71,603	(28,251)
CASH FLOWS FROM INVESTING ACTIVITIES Projects in progress – long-term (57,782) (1,818,271) Investments in land under development (1,048,269) 44,089 Developed land – long-term 1,241,714 (1,193,416) Advance payments to purchase land (297,773) 1,213,146 Investment properties (396,910) (926,929) Investment in associates (47,000) Purchase of property and equipment (1,603) (2,233) Proceeds from disposal of property and equipment (1,603) (2,233) Proceeds from disposal of property and equipment (560,623) (2,729,055)  CASH FLOWS FROM FINANCING ACTIVITIES Islamic borrowings (605,200) 725,261 Dividends (1,080,000) - Non-controlling interests - 264,741  Net cash (used in) / from financing activities (1,685,200) 990,002 (Decrease) / Increase in cash and cash equivalents (1,034,982) 1,507,020 Cash and cash equivalents, beginning of the year 2,223,495 716,475	End-of- service indemnities paid	(1,975)	(1,073)
Projects in progress – long-term         (57,782)         (1,818,271)           Investments in land under development         (1,048,269)         44,089           Developed land – long-term         1,241,714         (1,193,416)           Advance payments to purchase land         (297,773)         1,213,146           Investment properties         (396,910)         (926,929)           Investment in associates         -         (47,000)           Purchase of property and equipment         (1,603)         (2,233)           Proceeds from disposal of property and equipment         -         1,559           Net cash used in investing activities         (560,623)         (2,729,055)           CASH FLOWS FROM FINANCING ACTIVITIES         (505,200)         725,261           Islamic borrowings         (605,200)         725,261           Olvidends         (1,080,000)         -           Non-controlling interests         -         264,741           Net cash (used in) / from financing activities         (1,685,200)         990,002           (Decrease)/ Increase in cash and cash equivalents         (1,034,982)         1,507,020           Cash and cash equivalents, beginning of the year         2,223,495         716,475	Net cash from operating activities	1,210,841	3,246,073
Investments in land under development         (1,048,269)         44,089           Developed land – long-term         1,241,714         (1,193,416)           Advance payments to purchase land         (297,773)         1,213,146           Investment properties         (396,910)         (926,929)           Investment in associates         -         (47,000)           Purchase of property and equipment         (1,603)         (2,233)           Proceeds from disposal of property and equipment         -         1,559           Net cash used in investing activities         (560,623)         (2,729,055)           CASH FLOWS FROM FINANCING ACTIVITIES         Islamic borrowings         (605,200)         725,261           Dividends         (1,080,000)         -           Non-controlling interests         -         264,741           Net cash (used in) / from financing activities         (1,685,200)         990,002           (Decrease)/ Increase in cash and cash equivalents         (1,034,982)         1,507,020           Cash and cash equivalents, beginning of the year         2,223,495         716,475	CASH FLOWS FROM INVESTING ACTIVITIES		
Developed land – long-term         1,241,714         (1,193,416)           Advance payments to purchase land         (297,773)         1,213,146           Investment properties         (396,910)         (926,929)           Investment in associates         -         (47,000)           Purchase of property and equipment         (1,603)         (2,233)           Proceeds from disposal of property and equipment         -         1,559           Net cash used in investing activities         (560,623)         (2,729,055)           CASH FLOWS FROM FINANCING ACTIVITIES         Islamic borrowings         (605,200)         725,261           Dividends         (1,080,000)         -           Non-controlling interests         264,741           Net cash (used in) / from financing activities         (1,685,200)         990,002           (Decrease)/ Increase in cash and cash equivalents         (1,034,982)         1,507,020           Cash and cash equivalents, beginning of the year         2,223,495         716,475	Projects in progress – long-term	(57,782)	(1,818,271)
Advance payments to purchase land Investment properties Investment properties Investment in associates Investment in asso		(1,048,269)	44,089
Investment properties (396,910) (926,929) Investment in associates - (47,000) Purchase of property and equipment (1,603) (2,233) Proceeds from disposal of property and equipment - 1,559  Net cash used in investing activities (560,623) (2,729,055)  CASH FLOWS FROM FINANCING ACTIVITIES Islamic borrowings (605,200) 725,261 Dividends (1,080,000) - Non-controlling interests - 264,741  Net cash (used in) / from financing activities (1,685,200) 990,002  (Decrease)/ Increase in cash and cash equivalents (1,034,982) 1,507,020  Cash and cash equivalents, beginning of the year 2,223,495 716,475	Developed land – long-term	1,241,714	(1,193,416)
Investment in associates Purchase of property and equipment Proceeds from disposal of property and equipment Proceeds from disposal of property and equipment  Net cash used in investing activities  CASH FLOWS FROM FINANCING ACTIVITIES Islamic borrowings Islami	Advance payments to purchase land	(297,773)	1,213,146
Purchase of property and equipment (1,603) (2,233) Proceeds from disposal of property and equipment	Investment properties	(396,910)	(926,929)
Proceeds from disposal of property and equipment - 1,559  Net cash used in investing activities (560,623) (2,729,055)  CASH FLOWS FROM FINANCING ACTIVITIES  Islamic borrowings (605,200) 725,261  Dividends (1,080,000) -  Non-controlling interests - 264,741  Net cash (used in) / from financing activities (1,685,200) 990,002  (Decrease)/ Increase in cash and cash equivalents (1,034,982) 1,507,020  Cash and cash equivalents, beginning of the year 2,223,495 716,475	Investment In associates	-	(47,000)
Net cash used in investing activities (560,623) (2,729,055)  CASH FLOWS FROM FINANCING ACTIVITIES Islamic borrowings (605,200) 725,261 Dividends (1,080,000) - Non-controlling interests - 264,741  Net cash (used in) / from financing activities (1,685,200) 990,002  (Decrease)/ Increase in cash and cash equivalents (1,034,982) 1,507,020  Cash and cash equivalents, beginning of the year 2,223,495 716,475	Purchase of property and equipment	(1,603)	(2,233)
CASH FLOWS FROM FINANCING ACTIVITIES Islamic borrowings (605,200) 725,261 Dividends (1,080,000) - Non-controlling interests - 264,741 Net cash (used in) / from financing activities (1,685,200) 990,002 (Decrease)/ Increase in cash and cash equivalents (1,034,982) 1,507,020 Cash and cash equivalents, beginning of the year 2,223,495 716,475	Proceeds from disposal of property and equipment	<del>_</del> _	1,559
Islamic borrowings       (605,200)       725,261         Dividends       (1,080,000)       -         Non-controlling interests       -       264,741         Net cash (used in) / from financing activities       (1,685,200)       990,002         (Decrease)/ Increase in cash and cash equivalents       (1,034,982)       1,507,020         Cash and cash equivalents, beginning of the year       2,223,495       716,475	Net cash used in investing activities	(560,623)	(2,729,055)
Islamic borrowings       (605,200)       725,261         Dividends       (1,080,000)       -         Non-controlling interests       -       264,741         Net cash (used in) / from financing activities       (1,685,200)       990,002         (Decrease)/ Increase in cash and cash equivalents       (1,034,982)       1,507,020         Cash and cash equivalents, beginning of the year       2,223,495       716,475	CASH FLOWS FROM FINANCING ACTIVITIES	<del> </del>	
Dividends (1,080,000) - Non-controlling interests - 264,741  Net cash (used in) / from financing activities (1,685,200) 990,002  (Decrease) / Increase in cash and cash equivalents (1,034,982) 1,507,020  Cash and cash equivalents, beginning of the year 2,223,495 716,475		(605,200)	725,261
Non-controlling interests - 264,741  Net cash (used in) / from financing activities (1,685,200) 990,002  (Decrease) / Increase in cash and cash equivalents (1,034,982) 1,507,020  Cash and cash equivalents, beginning of the year 2,223,495 716,475		•	
Net cash (used in) / from financing activities(1,685,200)990,002(Decrease)/ Increase in cash and cash equivalents(1,034,982)1,507,020Cash and cash equivalents, beginning of the year2,223,495716,475	Non-controlling interests	-	264,741
(Decrease)/ Increase in cash and cash equivalents(1,034,982)1,507,020Cash and cash equivalents, beginning of the year2,223,495716,475		(1,685,200)	
Cash and cash equivalents, beginning of the year 2,223,495 716,475		<del></del> -	·
CASH AND CASH EQUIVALENTS, END OF THE YEAR 1,188,513 2,223,495	•		
	CASH AND CASH EQUIVALENTS, END OF THE YEAR	1,188,513	2,223,495

Managing Director

Chief Financial Officer

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

	Share Capital	Statutory Reserve	Retained Earnings	Equity attributable to Dar Al Arkan Shareholders
2009	SR 000	SR 000	SR 000	SR 000
Balance as at 1 January 2009  Capital increase through transfer from statutory reserve and retained	7,200,000	3,600,000	936,497	11,736,497
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
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 year	-	-	1,455,711	1,455,711
Transfer to statutory reserve	<del>·</del>	145,500	[145,500]	
Balance as at 31 December 2010	10,800,000	607,768	2,827,119	14,234,887

Managing Director

Chief Financial Officer

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 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 of 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 2010.

Subsidiarles 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

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:

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 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%

SAUDI JOINT STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2010

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 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's 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 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 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 consolidated statement of income, and are included in other income.

SAUDI JOINT STOCK COMPANY

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

#### 2.8 IMPAIRMENT OF TANGIBLE ASSETS

At the date of each 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 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 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 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 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.

#### 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.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## FOR THE YEAR ENDED 31 DECEMBER 2010

#### 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 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 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.

#### 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 year from DAR Properties or DAR investments, as such only one reportable segment is recognized as at 31 December 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.

### 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").

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

	Information in respect of these products is presented below:		
		2010	2009
		SR 000	SR 000
	REVENUES		
	Sales of residential properties	376,681	519,321
	Sales of land	3,765,300	4,944,732
	Total	4,141,981	5,464,053
	COST OF SALES		
	Residential properties	330,289	398,313
	Land	2,047,435	2,558,603
	Total	2,377,724	2,956,916
	GROSS PROFIT		
	Residential properties	46,392	121,008
	Land	1,717,865	2,386,129
	Total	1,764,257	2,507,137
5.	ACCOUNTS RECEIVABLE		
		2010	2009
		SR 000	SR 000
	Customers	1,671,479	850,412
	Provision for doubtful debtors	(4,479)	(4,500)
	Total	1,667,000	845,912
6.	PREPAID EXPENSES AND OTHERS		
		2010	2009
		SR 000	SR 000
	Advance payments to purchase land	418,967	121,194
	Advance payments to contractors	57,087	99,430
	Advance payments to suppliers	5,323	3,032
	Positive value of commission SWAP contract	27,769	-
	Accrued income	22,987	-
	Prepaid expenses	11,879	5,968
	Employees' advances and receivables	2,194	3,148
	Others	10,185	34
	Total	556,391	232,806

### 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 2010 is SR 1,364 thousand (31 December 2009: SR 2,709 thousand).

For the year ended 31 December 2010 and the year ended 31 December 2009, the Group entered into transactions with non-associate related parties in aggregate amounts of SR nil (US \$ nil), SR 12.4 million (US \$ 3.3 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:

	2010	2009
	SR 000	SR 000
Residential and commercial development	184,660	677,431
Total	184,660	677,431

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:

	2010	2009	
	SR 000	SR 000	
Residential and commercial development	3,674,480	3,345,670	
Land development projects	4,974,338	5,245,366	
Total	8,648,818	8,591,036	

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 157.45 million (31 December 2009; 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%.

### 11. PROPERTY AND EQUIPMENT

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

Cost	Land and Buildings SR 000	Leasehold Improvements SR 000	Vehicles SR 000	Plant and Machinery SR 000	Office equipment SR 000	Total SR 000
Balance at 1 January, 2010 Additions for the year	109,145	18,885 152	9,990	13,346 44	37,667 1,407	189,033 1,603
Balance at 31 December 2010 Accumulated Depreciation	109,145	19,037	9,990	13,390	39,074	190,636
Balance at 1 January, 2010 Depreciation for the year	24,025 3,017	16,221 1,849	8,944 960	8,496 3,147	28,414	86,100
Transfers / Disposals during the year Balance				(491)	4,537	13,510
at 31 December 2010  Net book value	27,042	18,070	9,904	11,152	33,442	99,610
31 December 2010 Net book value	82,103	967	86	2,238	5,632	91,026
31 December 2009	85,120	2,664	1,046	4,850	9,253	102,933

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

### 12. DEFERRED CHARGES

The movement during the year is as below:

	2010	2009
	SR 000	SR 000
Balance, beginning of the year	2,956	2,550
Additions during the year		1,152
Amortisation charge for the year	(1,040)	(746)
Balance , end of the year	1,916	2,956

#### 13. ISLAMIC BORROWINGS

	2010	2009
	SR 000	SR 000
Islamic Sukuk – International	5,437,500	6,000,000
Islamic Sukuk – Local	750,000	750,000
Islamic Murabaha	1,582,793	1,604,742
	7,770,293	8,354,742
Less: Un-amortised transaction costs	(91,217)	(95,313)
Islamic borrowings – end of the year	7,679,076	8,259,429
Less: Islamic borrowings – current portion	(1,000,000)	(2,687,760)
Islamic borrowings - long-term	6,679,076	5,571,669
Repayable as follows:		
	2010	2009
	SR 000	SR 000
Within one year	1,000,000	2,700,000
In the second year	4,182,793	600,000
In the third to fifth years inclusive	<b>2,587,500</b>	5,054,742
	7,770,293	8,354,742
(a) Islamic borrowings transaction costs:		
	2010	2009
	SR 000	SR 000
Balance, beginning of the year	95,313	124,321
Additions during the year	46,480	28,797
Capitalisation during the year	(25,729)	(35,468)
Amortisation charge for the year	(24,847)	(22,337)
Balance, end of the year	91,217	95,313

### Analysis of borrowings:

### Islamic Sukuk – International

This represents SR 5.44 billion of Islamic Sukuk comprising:

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

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

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 31 December 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 3%. The facility is being repaid in eight equal semi-annual payments starting 2010. As at 31 December 2010 an amount of SR 350 million is outstanding towards this facility.
- 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 2% to 3.75%.
- 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 31 December 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 31 December 2010.

The weighted average effective commission rate for the year ended 31 December 2010 is 4.3% (3.7% for 31 December 2009).

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

#### 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 positive fair value of this agreement which does not qualify for hedge accounting in accordance with generally accepted accounting standards amounting to SR 27.77 million (USD 7.40 million) during the year ended 31 December 2010 (31 December 2009; Nil) is recognised in consolidated statement of income.

### 15. ACCOUNTS PAYABLE

The detail of the above account is as follows:

	The detail of the above account is as follows:		
		2010	2009
		SR 000	SR 000
	Contractors	330,809	219,421
	Suppliers	49,609	20,459
	Advances from customers	164	225,000
	Others	43,237	6,077
	Total	423,819	470,957
16.	ACCRUED EXPENSES AND OTHERS		
		2010	2009
		SR 000	SR 000
	Zakat provision	587,074	560,074
	Islamic Murabaha charges	15,669	20,764
	Islamic Sukuk charges	75,341	32,295
	Accrued expenses	17,862	10,506
	Dividend payable	36,782	7,675
	Others	1,011	3,822
	Total	733,739	635,136
	Zakat provision		
	a) The principal elements of the Zakat base are as follows:		
		2010	2009
		SR 000	SR 000
	Zakat base:		
	Share capital and statutory reserve – beginning of the year Provisions – beginning of the year after deduction of amounts	11,527,009	10,800,000
	paid during the year	576,130	516,890
	Adjusted net income for the year – Note 16/b	1,485,247	2,177,901
	Retained earnings after dividends	1,516,908	936,497
	Islamic Murabaha	954,750	900,000
	Islamic Sukuk	4,500,000	6,000,000
	Total Zakat base	20,560,044	21,331,288
	Deductions:		
	Total deduction after adjustment	(19,480,046)	(19,327,809)
	Zakat base	1,079,998_	2,003,479
	Estimated Zakat provision for the year	27,000	50,000

### b) Adjusted net income for the year:

	2010 SR 000	2009 SR 000
Adjusted net income:		
Income for the year before Zakat Provisions	1,482,711 2,536	2,172,679 5,222
Adjusted net Income	1,485,247	2,177,901
c) The movement in provision for Zakat is as follows:		
	2010	2009
	SR 000	SR 000
Balance beginning of the year	560,074	510,074
Estimated Zakat for the current year	27,000	50,000
Estimated Zakat provision	587,074	560,074

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

### 17. PROVISION FOR END OF SERVICE INDEMNITIES

This item represents the balance of provision for end of service benefits as at 31 December 2010. During the year the Group's management charged an amount of SR 2.54 million (2009: SR 5.22 million) to expenses. The movement during the year is as below:

	2010	2009
	SR 000	SR 000
Balance, beginning of the year	12,038	7,889
Charged to expenses during the year	2,536	5,222
Pald during the year	(1,975)	(1,073)
Balance, end of the year	12,599	12,038

### 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.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2010

#### 19. EARNINGS PER SHARE

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

	2010 SR 000	2009 SR 000
Earnings For the purpose of basic earnings per share:		
Income for the year from operating activities	1,617,658	2,320,845
Net income for the year	1,455,711	2,122,679
Number of shares Weighted average number of ordinary shares	<u>Number</u>	<u>Number</u>
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.

### 21. COMMITMENTS

As at 31 December 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 369 million (2009: SR 680 million).

### 22. COMPARATIVE FIGURES

Certain comparative figures of 2009 have been reclassified to conform to the presentation adopted in the current year.