DAR AL-ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

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INDEPENDENT AUDITORS' REPORT

To the Directors
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 statement of financial position of Dar Al Arkan Real Estate Development Company (A Saudi joint stock company) as at December 31, 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and notes 1 to 28 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with International Financial Reporting Standards 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the 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, 2008, and the consolidated results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards.

Deloitte & Touche
Bakr Abulkhair & Co.

Bakr A. Abulkhair
License No. 101

Muharram 20, 1430
January 17, 2009

DAR AL-ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2008

	Notes	2008 SR'000	2007 SR'000
ASSETS			
Non-current assets			
Investment properties	5	591,238	241,689
Development properties	6	13,478,482	9,877,238
Property and equipment, net	7	119,790	160,596
Investment in associates	8	1,120,000	75,000
Other assets		126,871	113,586
		15,436,381	10,468,109
Current assets			
Development properties	6	1,268,800	2,683,479
Trade receivables and others	9	2,742,324	1,875,874
Cash and cash equivalents	10	716,475	3,346,865
		4,727,599	7,906,218
TOTAL ASSETS		**20,163,980**	**18,374,327**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Non-current liabilities			
Long-term borrowings	11	6,000,000	6,000,000
End of service benefits	12	7,889	4,475
		6,007,889	6,004,475
Current liabilities			
Short-term borrowings	13	1,635,000	400,000
Trade payables and others	14	274,521	495,674
Current tax liabilities (Zakat)	15	510,074	473,929
		2,419,595	1,369,603
Shareholders' Equity			
Share capital	16	7,200,000	5,400,000
Statutory reserve		3,600,000	3,242,253
Retained earnings		936,496	2,357,996
		11,736,496	11,000,249
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**20,163,980**	**18,374,327**

Managing Director **Chief Financial Officer** **Chief Internal Auditor**

The attached notes 1 to 28 form an integral part of the consolidated financial statements

DAR AL-ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2008

	Notes	2008 SR'000	2007 SR'000
REVENUE	17	5,610,768	4,925,933
Cost of sales		(2,765,587)	(2,517,924)
GROSS PROFIT		2,845,181	2,408,009
Administration expenses		(98,955)	(43,769)
Sales and marketing expenses		(52,675)	(39,086)
Depreciation		(22,253)	(18,441)
OPERATING PROFIT BEFORE FINANCING ACTIVITIES		**2,671,298**	**2,306,713**
Finance income	18	4,377	48,941
Finance costs	19	(271,523)	(318,840)
Other income		12,518	351
PROFIT BEFORE ZAKAT		**2,416,670**	**2,037,165**
Zakat expense		(60,423)	(28,591)
NET PROFIT FOR THE YEAR		**2,356,247**	**2,008,574**
Earnings per share:			
Basic and diluted	20	3.27	2.79

Managing Director   Chief Financial Officer   Chief Internal Auditor

The attached notes 1 to 28 form an integral part of the consolidated financial statements

DAR AL-ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2008

	Share capital SR'000	Statutory reserve SR'000	Retained earnings SR'000	TOTAL SHAREHOLDERS' EQUITY SR'000
BALANCE AT 1 JANUARY 2008 BROUGHT FORWARD	5,400,000	3,242,253	2,357,996	11,000,249
Dividends paid	-	-	(1,620,000)	(1,620,000)
Profit for the year	-	-	2,356,247	2,356,247
Capital increase through transfer from Retained earnings	1,800,000	-	(1,800,000)	-
Transfer to statutory reserve	-	357,747	(357,747)	-
BALANCE AT 31 DECEMBER 2008 CARRIED FORWARD	**7,200,000**	**3,600,000**	**936,496**	**11,736,496**

For the year ended 31 December 2007

	Share capital SR'000	Statutory reserve SR'000	Retained earnings SR'000	TOTAL SHAREHOLDERS' EQUITY SR'000
BALANCE AT 1 JANUARY 2007 BROUGHT FORWARD	5,400,000	3,242,253	1,969,422	10,611,675
Dividends paid	-	-	(1,620,000)	(1,620,000)
Profit for the year	-	-	2,008,574	2,008,574
BALANCE AT 31 DECEMBER 2007 CARRIED FORWARD	**5,400,000**	**3,242,253**	**2,357,996**	**11,000,249**

Managing Director **Chief Financial Officer** **Chief Internal Auditor**

The attached notes 1 to 28 form an integral part of the 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 2008

	2008 SR'000	2007 SR'000
OPERATING ACTIVITIES		
Profit before Zakat	2,416,670	2,037,165
Adjustments for:		
Depreciation	22,253	18,441
End of service benefits	3,414	
Finance income	(4,377)	(48,941)
Finance costs	271,523	318,840
Operating cash flows before movements in working capital	2,709,483	2,325,505
Increase in development properties	(2,186,566)	(2,787,228)
Increase in trade receivables and others	(866,449)	(318,258)
Increase in other assets	(13,285)	(111,073)
(Decrease)/increase in trade payables and others	(221,153)	211,359
Cash generated used in operations	(577,970)	(679,695)
Finance costs paid	(271,523)	(318,840)
Zakat paid during the year	(24,278)	-
NET CASH USED IN OPERATING ACTIVITIES	(873,771)	(998,535)
INVESTING ACTIVITIES		
Investment in associates	(1,045,000)	(75,000)
Payment on construction of investment properties - net	(349,549)	(241,689)
Decrease/(Increase) in property and equipment - net	18,553	(13,472)
Finance income received	4,377	48,941
NET CASH USED IN INVESTING ACTIVITIES	(1,371,619)	(281,220)
FINANCING ACTIVITIES		
Proceeds from the issue of Sukuk	-	6,000,000
Proceeds/(repayment) of Murabaha borrowings	1,235,000	(14,024)
Dividends paid	(1,620,000)	(1,620,000)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(385,000)	4,365,976
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,630,390)	3,086,221
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,346,865	260,644
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**716,475**	**3,346,865**

Managing Director **Chief Financial Officer** **Chief Internal Auditor**

The attached notes 1 to 28 form an integral part of the consolidated financial statements

1 GENERAL INFORMATION

Dar Al Arkan Real Estate Development Company is an Islamic Shar'iah compliant Joint Stock Company established under the Company Laws & Regulations of The Kingdom of Saudi Arabia. The Company is registered under Commercial Registration No. 1010160195 dated 16/04/1421H, corresponding to 18/07/2000 G, issued in Riyadh. The Company is domiciled in The Kingdom of Saudi Arabia and its registered office address is P.O. Box No: 105633, Riyadh-11656, K.S.A.

The equity shares of the Company are listed with the security market of The Kingdom of Saudi Arabia.

The Company and its Subsidiaries are collectively called as "the Group" and is predominantly engaged in the business of development and sale of real estate projects and associated activities. The Company manages its activities through subsidiary divisions which are formed to establish the business lines in each of those areas. These Subsidiaries operates under their own commercial registration and are summarized below:

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

2.2 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

At the date of authorization of these consolidated financial statements, the following standards and amended standards were in issue but not yet effective, certain standards and amended standards were adopted early:

Standards, amended standards and interpretations adopted early:

IAS 1 Presentation of financial statements

Introduces new disclosure and format of the financial statements and has no effect of the value of equity. Since this early adoption, the format of the comparative financial statements has been restated to reflect the update to this standard.

IAS 23 Borrowing costs

The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition and construction of a qualifying asset (one which takes a substantial period of time to get ready for use or sale) as part of the cost of the asset. The option of immediately expensing borrowing costs is removed.

IAS 40 Investment properties

The amendment recognizes investment properties in the course of construction to be classified as investment properties directly and does not require these properties to be separately disclosed.

IFRS 8 Operating segments

Amends the current segmental reporting requirements of IAS 14 and requires management to adopt segmental information as it is presented on the same basis for internal reporting purposes.

IFRIC 15 Agreements for the construction of real estates

The interpretation considers the practice of recognizing revenue by real estate developers for sale of units, clarification of this interpretation is consistent with the revenue recognition policy adopted by the Group, and therefore the interpretation has no effect on the results of the Group.

Standards, amended standards and interpretations not adopted early:

The directors anticipate that the adoption of the following standards; amended standards and interpretations in future periods will have no significant impact on the financial statements of the Group when the standards, amended standards and interpretation come into effect.

	Standard	Effective for annual periods beginning on or after
IFRS 1	First time adoption of international financial reporting standards	July 1, 2009
IFRS 2	Vesting conditions and cancellations	January 1, 2009
IFRS 3	Business combinations	July 1, 2009
IFRS 1 & IAS 27	Cost of an investment in a subsidiary, jointly controlled entity or associate	January 1, 2009
IAS 27	Consolidated and separate financial statements	July 1, 2009
IAS 32 & 1	Puttable financial instruments and obligations arising on liquidation	January 1, 2009
IAS 39	Eligible hedged items	July 1, 2009
IAS 39 & IFRS 7	Reclassification of financial assets	July 1, 2008
IFRIC 13	Customer loyalty programmes	July 1, 2008
IFRIC 16	Hedges of a net investment in a foreign operation	October 1, 2008
IFRIC 17	Distribution of non-cash assets to owners	July 1, 2009

2.3 ACCOUNTING CONVENTION

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

2.4 BASIS OF CONSOLIDATION

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

Subsidiaries

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

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

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

All intra-group transactions, balances, and unrealized gains on transactions between Group companies are eliminated on consolidation. Unrealized 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 financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the consolidated financial position at the Group's share of the net assets of the associate. Losses of the associates in excess of the Group's interest in those associates are not recognized.

Any excess of cost of acquisition over the Group's share of the fair values of identifiable net assets acquired of the associate or joint venture 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 fair values of identifiable net assets of the associate or joint venture at the date of acquisition (i.e. discount on acquisition) is recognized in the consolidated statement of income.

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

2.5 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and any recognized 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%
Other 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 recognized 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 recognized as an expense immediately.

2.6 INVESTMENT PROPERTY

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at cost less accumulated depreciation and any recognized 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.

2.7 DEVELOPMENT PROPERTIES

Development properties principally comprise, properties held for sale, developed land held for sale, property projects under construction, land projects under development and land waiting development.

Properties held for sale and developed land held for sale are completed projects, all other development properties are in the progress of development or waiting for development to commence.

All development properties are accounted for at the lower of cost and net realizable value. Cost comprises direct material cost, direct labour costs, borrowing costs and those overheads that have been incurred in bringing the development properties to their present location and condition. Cost is calculated using the average method. Net realizable value represents the estimated selling price less all estimated costs to completion and selling costs to be incurred.

The operating cycle of development properties is such that the majority of development properties will not be realized within 12 months. These have been split between non-current and current development properties.

2.8 BORROWING COSTS

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

2.9 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized on the Group's consolidated financial position when the Group has become a party to the contractual provisions of the instrument.

Short-term investments

Short-term investments are financial assets held for trading and represent a portfolio of investments. Short-term investments are classified as fair value through profit or loss and are measured at fair value with gains and losses being recognized in the consolidated statement of income. Purchases and sales of short-term investments are recognized and derecognized on trade date.

Dividend income arising from short-term investments is recognized in the consolidated statement of income separately from gains and losses arising from changes in fair value and is disclosed within other income.

Trade receivables

Trade receivables are classified as loans and receivables and are initially recognized at fair value. They are subsequently measured at their amortized cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence, (including customers with financial difficulties or in default on payments), that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognized 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, Islamic Murabahas and Bank Loans; these are recorded initially at their fair value. Direct transaction costs are subsequently carried at their amortized cost and are recognized in the consolidated statement of income over the term of the instrument.

Trade payables

Trade payables are initially recognized at fair value and subsequently at amortized cost using the effective interest method.

2.10 REVENUE RECOGNITION

Revenue represents the sale of development properties. Revenue is recognized 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 fair value of consideration received.

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

2.11 ZAKAT TAXATION

Zakat is calculated and recognized 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 recognized 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.

2.12 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 balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the consolidated statement of income for the period, except for exchange differences on non-monetary assets and liabilities, which are recognized directly in equity.

2.13 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 capital.

2.14 END OF SERVICE BENEFIT

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

2.15 RETIREMENT BENEFIT COSTS

The Group makes contributions in line with the General Organization 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.

2.16 SEGMENT REPORTING

A business segment is a Group of assets and operations that provide a product or service and that is subject to risks and returns that are different from other business segments. A geographic segment is a Group of assets and operations that provide a product or service within a particular economic environment and that is subject to risks and returns that are different from segments operating in different economic environments.

2.17 LEASING

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience, internal controls, advice from external experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting judgments will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Investment Properties

Management identify projects or certain properties within projects which ownership will remain with the Group once development of the properties has completed. Ownership remains with the Group for long-term investment purposes which includes capital appreciation and rental income. When these properties are identified, they are categorized as Investment Properties whether the properties are under construction or completed.

Development Properties

The Group's development properties have been categorized between current and non-current development properties, management have categorized the individual project on a long term and short term nature dependent on its estimated completion date. If this is considered to be within 12 months of balance sheet date, the project has been categorized as a current development property.

Revenue Recognition

The Group recognizes revenue on the Group's development properties at legal completion or unconditional exchange when significant risks and rewards of ownership transfer to the buyer. It is management's judgment that revenue will not be recognized until legal completion as their involvement is such that the significant risks and rewards remain with the Group until completion.

Recognition of cost of sales

The Group's projects represent significant developments with a number of properties on each site. As such when properties are sold individually management make estimates using past experience and internal controls to average the costs of the project to each property. These estimates are reviewed regularly on a profit per project basis and updated where relevant.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management reporting purposes, management have 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 2008.

Geographical segments

The Group operates exclusively in Saudia Arabia and all its revenues derive from its portfolio of properties which the Group manages. As such there are no defined geographical segments.

5. INVESTMENT PROPERTIES

	2008 SR '000
COST	
At 1 January 2008	243,830
Additions	319,665
Capitalization of borrowing costs	30,739
At 31 December 2008	594,234
ACCUMULATED DEPRECIATION	
At 1 January 2008	2,141
Charge during the year	855
At 31 December 2008	2,996
CARRYING AMOUNT	
At 31 December 2008	**591,238**

	2007 SR '000
COST	
At 1 January 2007	
Additions	243,830
At 31 December 2007	243,830
ACCUMULATED DEPRECIATION	
At 1 January 2007	
Charge during the year	2,141
At 31 December 2007	2,141
CARRYING AMOUNT	
At 31 December 2007	**241,689**

Included within investment properties is land with an original cost of SR 218.8 million (2007 SR 218.8 million) which is not being depreciated. The market value of the investment properties is considered to be the carrying value, as the investment properties are currently under construction and their fair value cannot be reliably estimated until completion.

6. DEVELOPMENT PROPERTIES

	2008 SR'000	2007 SR'000
Property projects under development	1,301,382	1,017,539
Developed land	2,978,237	2,234,452
Land projects under development	9,198,863	6,625,247
Non - Current assets	13,478,482	9,877,238
Property projects under development	1,148,200	1,193,345
Developed land	120,600	1,490,134
Current assets	1,268,800	2,683,479
Total development properties	**14,747,282**	**12,560,717**

Included within Land projects under development are lands worth SR 3.7 billion, which represents the Group's share of co-ownership with third parties according to the contracts of land development.

The movement in development properties during the two years ended 31 December 2008 is as follows:

Non – Current Assets	Property projects under development SR'000	Developed land SR'000	Land projects under development SR'000	TOTAL SR'000
Balance at 31 December 2006	6,321,585	1,778,070	-	8,099,655
Additions	-	1,588,748	1,295,090	2,883,838
Transfers	(5,304,046)	(1,132,366)	5,330,157	(1,106,255)
Balance at 31 December 2007	1,017,539	2,234,452	6,625,247	9,877,238
Additions	214,419	719,229	2,573,616	3,507,264
Capitalisation of borrowing costs	69,424	-	-	69,424
Transfers	-	175,562		175,562
Disposals	-	(151,006)	-	(151,006)
Balance at 31 December 2008	**1,301,382**	**2,978,237**	**9,198,863**	**13,478,482**

Current Assets	Property projects under development SR'000	Developed land SR'000	TOTAL SR'000
Balance at 31 December 2006	1,614,283	752,714	2,366,997
Additions	1,969,842	-	1,969,842
Transfers	127,145	737,420	864,565
Disposals	(2,517,925)	-	(2,517,925)
Balance at 31 December 2007	1,193,345	1,490,134	2,683,479
Additions	663,015	658,125	1,321,140
Capitalisation of borrowing costs	-	54,324	54,324
Transfers	-	(175,562)	(175,562)
Disposals	(708,160)	(1,906,421)	(2,614,581)
Balance at 31 December 2008	**1,148,200**	**120,600**	**1,268,800**

7. PROPERTY AND EQUIPMENT, NET

	Land and buildings SR'000	Leasehold improvements SR'000	Vehicles SR'000	Plant and machinery SR'000	Office equipment SR'000	TOTAL SR'000
COST						
At 1 January 2008	134,145	18,153	11,626	14,065	35,654	213,643
Additions	-	473	340	100	2,559	3,472
Transfers	(25,000)					(25,000)
Disposals		-	-	(22)	-	(22)
At 31 December 2008	109,145	18,626	11,966	14,143	38,213	192,093
ACCUMULATED DEPRECIATION						
At 1 January 2008	11,554	9,577	7,165	8,651	16,100	53,047
Charge for the year	5,667	3,549	2,152	2,680	8,205	22,253
Transfers	(2,997)	-	-	-	-	(2,997)
At 31 December 2008	14,224	13,126	9,317	11,331	24,305	72,303
CARRYING AMOUNT						
At 31 December 2008	**94,921**	**5,500**	**2,649**	**2.812**	**13,908**	**119,790**

	Land and buildings SR'000	Leasehold improvements SR'000	Vehicles SR'000	Plant and machinery SR'000	Office equipment SR'000	TOTAL SR'000
COST						
At 1 January 2007	134,145	17,701	9,233	12,890	26,202	200,171
Additions	-	452	2,393	1,175	9,452	13,472
At 31 December 2007	134,145	18,153	11,626	14,065	35,654	213,643
ACCUMULATED DEPRECIATION						
At 1 January 2007	7,882	6,871	4,283	5,861	9,709	34,606
Charge for the year	3,672	2,706	2,882	2,790	6,391	18,441
At 31 December 2007	11,554	9,577	7,165	8,651	16,100	53,047
CARRYING AMOUNT						
At 1 January 2007	126,263	10,830	4,950	7,029	16,493	165,565
At 31 December 2007	**122,591**	**8,576**	**4,461**	**5,414**	**19,554**	**160,596**

Included within land and buildings is land with an original cost of SR 9.5 million (2007: SR 9.5 million), which is not being depreciated.

8. INVESTMENT IN ASSOCIATES

The Group's investments in its associates are:

	2008 SR'000	2007 SR'000
Investments, beginning of year	75,000	-
Acquisition during the year	1,045,000	75,000
Investments, end of year	**1,120,000**	**75,000**

This item represents investments in share of companies, where the Group exercises significant control. The shares of these companies are not publicly traded. The Group's ownership in these companies ranges from 15% to 33.34%. The Group's share of profits and losses in these associates amounted to nil for the year ended 31st December, 2008.

9. TRADE RECEIVABLES AND OTHERS

	2008 SR'000	2007 SR'000
Trade receivables-net provision for doubtful debts (SR 4.5 million)	948,647	490,206
Trade receivables - related party	57,042	3,576
Prepayments	1,736,635	1,382,092
	2,742,324	**1,875,874**

The directors consider that the carrying amount of trade receivables and others approximates to their fair value.

Prepayments include SR 1.3 billion and SR 250 million being advance payments to purchase lands and to acquire an investment respectively.

10. CASH AND CASH EQUIVALENTS

	2008 SR'000	2007 SR'000
Cash in hand	314	315
Cash at bank	476,161	2,006,320
Short-term deposits	240,000	1,340,230
	716,475	**3,346,865**

11. LONG-TERM BORROWINGS

	2008 SR'000	2007 SR'000
Islamic Sukuk	6,000,000	6,000,000
	6,000,000	**6,000,000**

The borrowings are repayable as follows:

	2008	2007
Within one year	-	-
In the second year	2,250,000	-
In the third to fifth years inclusive	3,750,000	2,250,000
After five years	-	3,750,000
Amounts due for settlement after 12 months	**6,000,000**	**6,000,000**

Analysis of borrowings:	**SR'000 Amount**	**% Rate**	**Maturity date**
Sukuk issue 1 (USD 600 million)	2,250,000	Libor + 200 bps	07 Mar 2010
Sukuk issue 2 (USD 1 billion)	3,750,000	Libor + 225 bps	17 Jul 2012
	6,000,000		

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

The Sukuk agreements include financial covenants relating to the minimum limit of shareholders' equity, total liabilities to total assets and the current ratio which the Company was in compliance with as at 31 December 2008.

There were no defaults or breaches of loan terms during the current or preceding period. The Islamic Sukuk 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.

12. END OF SERVICE BENEFITS

The Group provides end of service benefits to its employees in accordance with the labor law provision in Saudi Arabia.

The total cost charged to income for the year was SR 3.5 million (2007: SR 1.5 million).

13. SHORT-TERM BORROWINGS

	2008 SR'000	**2007 SR'000**
Islamic Murabahas	1,635,000	400,000
	1,635,000	**400,000**

Islamic Murabha borrowings are arranged at floating rates of interest from 4.1% to 5.9% (2007: 7.5% to 7.7%). The Islamic Murabahas have been provided by various institutions, with issue dates spread throughout the year and are renewable under certain circumstances. These facilities are secured by promissory notes issued by the Company.

There were no defaults of breaches on borrowings terms during the current or preceding period.

The bank facility agreements include financial covenants relating to total liabilities to shareholders equity ratio and bank debts to tangible net worth ratio which the Group was in compliance with as at 31 December 2008.

14. TRADE PAYABLES AND OTHERS

	2008 SR'000	2007 SR'000
Trade payables	171,207	107,719
Other payables	9,390	2,649
Accruals	93,924	385,306
	274,521	**495,674**

Trade payables and others principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 15 days (2007: 20 days).

The directors consider that the carrying amount of trade payables and others approximates to their fair value.

15. ZAKAT TAXATION

The principal elements of Zakat base are as follows:

	2008 SR'000	2007 SR'000
Funds subject to Zakat:		
Capital and reserve brought forward	8,642,254	8,642,254
Net provision brought forward	482,715	452,389
Adjusted net income	2,420,251	1,143,643
Net retained earning brought forward	737,996	349,422
Islamic Sukuk	6,000,000	-
Total funds subject to Zakat	18,283,216	10,587,708
Deductible funds:		
Total deduction after adjustment	15,866,296	12,882,928
Zakat base	**2,416,920**	**(2,295,220)**
Zakat expense for the year	**60,423**	**28,591**

Zakat is calculated at 2.5% of the estimated assessable Zakat base for the year.

The net income for the year is adjusted as follows:

	2008 SR'000	2007 SR'000
Net income for the year	2,416,670	1,120,717
Provisions	3,581	1,758
Property and equipment computation differences		21,168
Adjusted net income	**2,420,251**	**1,143,643**

The movement in the current tax liability for Zakat during the year are as follows:

	2008 SR'000	2007 SR'000
Balance brought forward	473,929	445,338
Zakat tax expense during the year	60,423	28,591
Zakat paid during the year	(24,278)	
Balance carried forward	**510,074**	**473,929**

The Group has filed the Zakat returns up to the year 2007 and made advance payment of SR 24.3 million during the year 2008. The latest Zakat certificate obtained by the Group was for the period ended 30/12/1423 H (corresponding to March 4, 2008).

16. SHARE CAPITAL

	2008 SR'000	2007 SR'000
Authorised:		
720,000,000 ordinary shares of SR 10 each (540,000,000 share in 2007)	7,200,000	5,400,000
Issued and fully paid shares of SR 10 each:		
At the start of the year, 540,000,000 (2007: 540,000,000) ordinary	5,400,000	5,400,000
Issued during the year, 180,000,000 (2007: Nil) ordinary	1,800,000	-
At the end of the year, 720,000,000 (2007: 540,000,000) ordinary	**7,200,000**	**5,400,000**

The Group has one class of ordinary shares which carry no right to fixed income.

During the year the Group has increased its equity share capital by issuing 180 million shares as bonus shares by transferring SR 1.8 billion from retained earnings.

17. SEGMENT REPORTING

	2008 SR'000	2007 SR'000
REVENUES		
Sales of residential properties	990,375	1,321,177
Sales of Lands	4,620,393	3,604,756
Total	**5,610,768**	**4,925,933**
COST OF SALES		
Residential properties	566,929	697,476
Lands	2,198,658	1,820,448
Others	-	-
Total	**2,765,587**	**2,517,924**
GROSS MARGIN		
Residential properties	423,447	623,701
Lands	2,421,735	1,784,308
Total	**2,845,181**	**2,408,009**

18. FINANCE INCOME

	2008 SR'000	2007 SR'000
Income from bank deposits	4,377	48,941

19. FINANCE COSTS

	2008 SR'000	2007 SR'000
Charges on Sukuk	195,535	239,715
Charges on Islamic Murabahas/Participations	47,402	42,278
Bank charges	2,915	12,820
Amortisation of finance costs	25,671	24,027
	271,523	**318,840**

20. EARNINGS PER SHARE

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

	2008 SR'000	2007 SR'000
Earnings		
Earnings for the purposes of basic earnings per share (Net profit for the year)	2,356,247	2,008,574
	=========	=======
	Number	**Number**
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	720,000,000	720,000,000
	===========	===========

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

21. OPERATING LEASE ARRANGEMENTS

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

	2008 SR'000	2007 SR'000
Amounts due:		
Within one year	2,451	930
Between one and five years	2,320	2,320
After five years	700	700
	5,471	**3,950**
	=========	=========

22. RELATED PARTY TRANSACTIONS

During the year the Group sold residential properties to individuals, who sought financing from entities that are related to the Group. As a result, these related entities reimbursed the Group on behalf of these individuals. Below are the balances with related parties:

Related party	2008 SR'000	2007 SR'000
Kingdom Instalments Co.	-	3,576
Saudi Home Loans	57,042	-
	57,042	**3,576**
	=========	=========

23. RETIREMENT BENEFIT PLANS

The Group makes payments to defined contribution retirement benefit plans in the form of the General Organization of Social Insurance that are charged as an expense as they fall due. Payments are made on the basis of a percentage of qualifying salary for certain employees to this state-managed scheme.

The total cost charged to income for the year was SR 1.0 million (2007: SR 0.9 million), and there were no outstanding contributions in the balance sheet date.

24. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to its parent company through optimization of debt and equity balances. The Group's overall strategy remains unchanged from 2007.

The capital structure of the Group consists of net debt, which includes the borrowing disclosed in note 11, cash and cash equivalents and equity, comprising share capital, statutory reserve, and retained earnings.

Gearing ratio
The Group consistently monitors its gearing ratio to ensure compliance with external covenant requirements.

25. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities are mainly comprised of Islamic Murabahas (term and annual revolving) facilities taken from banks, amounts due to related parties, issue of Islamic Sukuk, sundry liabilities and retention payables to contractors and other suppliers. The paramount objectives of these financial instruments are to raise the funding base for various projects as well as for the working capital requirement of the Group.

The Group also has financial assets in the form of bank deposits, cash in hand, due from related parties and subsidiaries and trade and other receivables, which are integral and directly derived out of its regular business. On the reporting date the Group has not entered into any financial derivative contracts by way of currency hedging, interest rate swap agreements or similar instruments.

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

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

Credit Risk

The Credit Risk can be defined as a loss of value of an asset as a result of a failure by a customer or a counter party to such commercially valid and legally enforceable contract to comply with its obligations.

The general sales policy of the Group is "No Credit" terms, but in some cases there are enhanced payment schedules or staggered payment request by selected customers which have been accommodated. In such cases the Group has an exposure of Credit Risk with respect to the amount due from those customers. However, in such cases the Group holds back the final delivery or possession of the property to mitigate the risk until the full amount due is paid to the satisfaction of the contract. The monitoring and follow up is regular and as a result the Group's exposure to losses is limited.

With respect to the Credit Risk exposure of other financial assets, namely, due from related parties, bank deposits and other receivables, the maximum Credit Risk of the Group is limited to its carrying value, in case there is a failure to meet its obligation by the other party.

As of the reporting date, the Group does not have significant Credit Risk concentration with any single party or a Group.

Interest Rate Risk

Interest Rate Risk is associated with the change in interest rate in global financial market. The Group is exposed to Interest Rate Risk with respect to its floating interest covenants agreed for its long term Sukuk borrowings and other Islamic Murabahas (revolving credit) facilities obtained from local banks.

The short term revolving borrowings rates are renegotiated at every renewal proposal to achieve the best possible interest rate matching with the given financial credentials and related risk perception of the Group.

The Group does not have any derivative contract to manage its Interest Rate Risk. The Group's Sukuk borrowings interest rates are based on LIBOR and its local borrowings are based on SIBOR. Hence the interest exposure of the Group is variable according to the changes in the LIBOR & SIBOR.

During the year under review the average rate of 3 months LIBOR varied between 4.70 % and 2.22% (5.62% and 4.89% for 2007) and SIBOR varied between 2.18 % and 5.02 % (4.0 % and 5.3 % for 2007).

The sensitivity of an interest variance on the Group's external borrowings is shown below:

	2008 **SR'000**	**2007** **SR'000**
<u>**Rate of Interest Change**</u>		
+ 25 basis points	17,837	16,000
- 25 basis points	(17,837)	(16,000)
	=======	=======

Group's borrowings are primarily in US Dollars and Saudi Riyals only.

The financial assets of the Group mainly represent bank deposit or related party loans. The bank deposits are placed to earn better return on its floating cash balances available with the Group.

Liquidity Risk

Liquidity Risk can result from a difficulty to meet the financial commitments and obligations of the Group as per the agreed terms and covenants.

To mitigate the risk of liquidity and associated losses of business and brand value opportunities, the Group, to the extent possible, keep sufficient liquid assets in all business conditions like boom, depression or normal. The Group refrain from funding its long term capital requirements through short term borrowings and related party current account transactions. Currently the long term projects are funded from long term or revolving borrowings only. Also the Group has a dynamic cash flow assessment policy and system by which it can estimate and plan the maturities as well as required resources to meet such obligations.

See notes 11, 13 and 14 for further details.

Foreign Currency Risk

Foreign Currency Risk is associated with the change in the value of the carrying value in functional currency due to the variation of the underline foreign currency obligation or right by way of transaction or translation reasons. The functional currency of the Group is the Saudi Riyal and the same is pegged against the US Dollar with a fixed exchange rate of 3.75 Saudi Riyals per US Dollar. Since the transactions other than US Dollars are negligible, the Group does not assume any significant foreign currency risk.

26. COMMITMENTS AND CONTINGENCIES

To complete the long term construction and development of investment and development properties, the Group have committed to a number of contractual arrangements and agreements. The estimated uncompleted contracts outstanding as on December 31, 2008 amounts to SR 1.1 billion (2007: SR 1.4 billion).

These commitments are expected to be settled within the duration of the projects in progress and shall be funded through prospective property sales and external borrowings, if necessary.

27. CONTINGENT LIABILITIES

During the normal course of business there are general litigations and legal claims. Management take legal advice as to the likelihood of success of claims and no provision is made when the action is unlikely to succeed.

At the 31 December 2008 there were no significant claims notified (2007: None).

28. COMPARATIVE FIGURES

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