

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

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

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

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

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<b>INDEX</b>	<b>PAGE</b>
Independent auditors' report	1
Consolidated balance sheet	2
Consolidated statement of income	3
Consolidated statement of changes in shareholders' equity	4
Consolidated statement of cash flows	5
Notes to the consolidated financial statements	6 – 19



## INDEPENDENT AUDITORS' REPORT

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

### Scope of Audit

We have audited the accompanying consolidated balance sheet of Dar Al Arkan Real Estate Development Company (A Saudi joint stock company) as at December 31, 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and notes 1 to 26 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 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 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 by-laws as these relate to the preparation and presentation of the consolidated financial statements.

Bakr A. Abulkhair  
License No. 101



20 Muharram 1430  
17 January 2009

Abdulqadir A. Al-Wohaib  
License No. 48

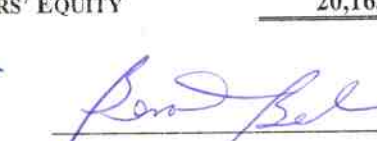


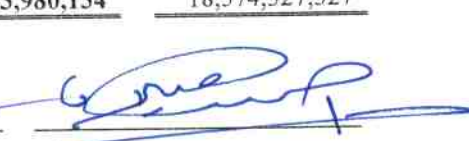
**DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY**  
**SAUDI JOINT STOCK COMPANY**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2008**

	Note	2008 SR	2007 SR
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	(3)	716,474,665	3,346,864,936
Accounts receivable, net	(4)	948,647,127	483,560,967
Short term investment	(5)	-	6,645,485
Prepaid expenses and others	(6)	1,736,634,991	1,382,091,556
Due from related parties	(7)	57,042,000	3,576,494
Projects in progress – short-term	(8)	1,148,199,717	2,132,092,087
Developed lands – short-term	(9)	120,600,000	551,387,179
<b>Total current assets</b>		<b>4,727,598,500</b>	<b>7,906,218,704</b>
<b>Non-Current Assets</b>			
Projects in progress - Long-term	(8)	6,772,765,263	6,347,696,173
Investments in lands under development	(5)	3,727,480,034	1,295,089,777
Developed lands - Long-term	(9)	2,978,237,404	2,234,451,566
Investment properties		591,238,110	241,689,818
Investments in associates	(5)	1,120,000,000	75,000,000
Property and equipment, net	(10)	119,789,908	160,596,266
Deferred charges, net	(11)	126,870,915	113,585,023
<b>Total Non-Current Assets</b>		<b>15,436,381,634</b>	<b>10,468,108,623</b>
<b>TOTAL ASSETS</b>		<b>20,163,980,134</b>	<b>18,374,327,327</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Islamic Murabaha	(12)	1,635,000,000	400,000,000
Accounts payable	(13)	171,207,159	107,719,393
Accrued expenses and others	(14)	613,386,626	861,882,477
<b>Total current liabilities</b>		<b>2,419,593,785</b>	<b>1,369,601,870</b>
<b>Non-Current Liabilities</b>			
Islamic Sukuk	(16)	6,000,000,000	6,000,000,000
Provision for end-of-service indemnities	(17)	7,888,971	4,475,307
<b>Total Non-Current Liabilities</b>		<b>6,007,888,971</b>	<b>6,004,475,307</b>
<b>Shareholders' Equity</b>			
Capital	(18)	7,200,000,000	5,400,000,000
Statutory reserve	(19)	3,600,000,000	3,242,253,763
Retained earnings		936,497,378	2,357,996,387
<b>Total shareholders' equity</b>		<b>11,736,497,378</b>	<b>11,000,250,150</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>20,163,980,134</b>	<b>18,374,327,327</b>

  
 Managing Director

  
 Chief Financial Officer

  
 Chief Internal Auditor

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




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

**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	2008 SR	2007 SR
Revenue		5,610,767,945	4,925,932,752
Cost of revenue		(2,765,586,774)	(2,517,924,572)
<b>Gross profit</b>	( 20 )	<b>2,845,181,171</b>	<b>2,408,008,180</b>
<b>Operating expenses:</b>			
Sales and Marketing expenses	( 21 )	(52,675,432)	(39,085,943)
General and administrative expenses	( 22 )	(96,956,707)	(43,768,855)
Other parties' share in profits from investments		(1,220,961)	(12,591,077)
Depreciation of property and equipment	( 10 )	(22,252,460)	(18,440,619)
Amortization of deferred charges	( 11 )	(27,671,346)	(24,026,567)
<b>Net income for the year from operating activities</b>		<b>2,644,404,265</b>	<b>2,270,095,119</b>
<b>Other Income / ( expenses ) :</b>			
Islamic Murabaha charges , net		(48,240,840)	(6,156,444)
Islamic Sukuk Charges	( 8 )	(196,387,446)	(271,922,708)
Other income		16,894,249	45,149,464
<b>Net income for the year before Zakat</b>		<b>2,416,670,228</b>	<b>2,037,165,431</b>
Zakat provision	( 15 )	(60,423,000)	(28,591,082)
<b>Net income for the year</b>		<b>2,356,247,228</b>	<b>2,008,574,349</b>
Earning per share	( 23 )	3.27	2.79

  
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 Managing Director

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

	<u>2008</u>	<u>2007</u>
	SR	SR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before zakat	2,416,670,228	2,037,165,431
<b>Adjustment for:</b>		
Depreciation of property and equipment	22,252,460	18,440,619
Amortization of deferred charges	27,671,346	24,026,567
Provision for doubtful accounts	-	377,586
Provision for end-of-service indemnities allocated to expenses	3,580,673	1,524,476
Changes in operating assets and liabilities		
Accounts receivable	(465,086,160)	(3,279,827)
Prepaid expenses and others	(354,543,435)	(1,087,897,055)
Developed lands – short-term	430,787,179	1,979,396,076
Projects in progress – short-term	983,892,370	5,803,775,413
Accounts payable	63,487,766	28,010,261
Related party transactions – net	(53,465,506)	(1,981,634)
Accrued expenses and others	(284,641,728)	261,194,328
End-of- service indemnities paid	(167,009)	(201,647)
Zakat paid	(24,277,123)	-
<b>Net cash from operating activities</b>	<u>2,766,161,061</u>	<u>9,060,550,594</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Developed lands, long-term	(743,785,838)	(2,234,451,566)
Projects in progress, long-term	(425,069,090)	(6,426,369,309)
Purchase of property and equipment	(3,472,212)	(13,471,753)
Investments	(3,798,266,954)	(1,453,915,080)
<b>Net cash used in investing activities</b>	<u>(4,970,594,094)</u>	<u>(10,128,207,708)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Islamic Murabaha	1,235,000,000	(14,023,661)
Islamic Sukuk	-	6,000,000,000
Dividends	(1,620,000,000)	(1,620,000,000)
Deferred Charges	(40,957,238)	(135,099,426)
<b>Net cash (used in) / from financing activities</b>	<u>(425,957,238)</u>	<u>4,230,876,913</u>
(Decrease) / Increase in cash and cash equivalents	(2,630,390,271)	3,163,219,799
Cash and cash equivalents, beginning of the year	3,346,864,936	183,645,137
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	<u>716,474,665</u>	<u>3,346,864,936</u>





\_\_\_\_\_ Managing Director      \_\_\_\_\_ Chief Financial Officer      \_\_\_\_\_ Chief Internal Auditor

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


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

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

	Capital	Statutory Reserve	Retained Earnings	Total
	SR	SR	SR	SR
Total Shareholders' Equity as of 1 January 2007	5,400,000,000	3,242,253,763	1,969,422,038	10,611,675,801
Dividends	-	-	(1,620,000,000)	(1,620,000,000)
Net Income for the year	-	-	2,008,574,349	2,008,574,349
<b>Total Shareholders' Equity as of 31 December 2007</b>	<b>5,400,000,000</b>	<b>3,242,253,763</b>	<b>2,357,996,387</b>	<b>11,000,250,150</b>
Dividends	-	-	(1,620,000,000)	(1,620,000,000)
Capital increase through transfer from retained earnings	1,800,000,000	-	(1,800,000,000)	-
Transfer to statutory reserve	-	357,746,237	(357,746,237)	-
Net Income for the year	-	-	2,356,247,228	2,356,247,228
<b>Total Shareholders' Equity as of 31 December 2008</b>	<b>7,200,000,000</b>	<b>3,600,000,000</b>	<b>936,497,378</b>	<b>11,736,497,378</b>

  
 \_\_\_\_\_  
 Managing Director

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

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**1- THE COMPANY AND IT'S SUBSIDIARIES, AND THE NATURE OF BUSINESS:**

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

The Company operates in the field of purchase and acquisition of real estate and lands and construction of buildings for the purpose of investing thereof by leasing out or selling in favor of the Company.

The Company operates in general construction of residential and commercial buildings (construction, maintenance, demolition and reconstruction).

Below is the nature of business of the Company's direct subsidiaries:

**DAR AL ARKAN PROPERTIES COMPANY** – is a limited liability Company, registered in Riyadh under the Commercial Registration No. 1010254063 dated 25/7/1429H (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 registered in Riyadh under the Commercial Registration No. 1010247583 dated 28/3/1429H (corresponding to 5/4/2008 G). It operates in general construction of residential and commercial buildings (construction/maintenance/demolition/restructuring).

**DAR AL ARKAN INVESTMENT COMPANY** – is a limited liability Company registered in Riyadh under the Commercial Registration No. 1010247585 dated 28/3/1429H (corresponding to 5/4/2008 G). It operates in purchase and acquisition of real estate investments.

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying consolidated financial statements have been prepared in accordance with the accounting standards issued by the Saudi Organization of Certified Public Accountants. The significant accounting policies adopted by the Company in preparing its consolidated financial statements are as follows:

**Basis of consolidation of the financial statements**

The company has investments in the following subsidiaries which are operating under their own commercial registrations and are summarized below:

<b>Company</b>	<b>Establishment Country</b>	<b>Ownership 2008</b>	<b>Main Activity</b>
Dar Al Arkan Properties Company Limited liability company	Kingdom of Saudi Arabia	100%	Property management
Dar Al Arkan Projects Company Limited liability company	Kingdom of Saudi Arabia	100%	Development of Residential and Commercial Properties
Dar Al Arkan Investment Company Limited liability company	Kingdom of Saudi Arabia	100%	Real Estate Investments

**Accounting Convention**

These consolidated financial statements have been prepared under the historical cost convention using accrual basis and going concern assumption.

**Cash and Cash Equivalents**

For the purpose of preparing the consolidated statement of cash flows, cash and cash equivalents include cash on hand, unrestricted current accounts with banks and Islamic deposits with maturities less than three months from the date of acquisition.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

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**Accounts Receivable**

Accounts receivable are stated at their estimated net realizable value. The provision for doubtful debts is estimated based on analysis of the collectible amounts of the accounts receivable balances at the end of the period of the consolidated financial statements.

**Investments**

Investments represent investing in projects of other companies for the purpose of earning determined percentage of the profit of these projects as per contracts.

**Investments in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decision of the investee.

The equity method is used to evaluate these investments in which the unrealized revenues are considered in the consolidated statement of income in accordance with the financial statements of the investees.

**Property and equipment**

Property and equipment are stated at cost net of related accumulated depreciation up to the date of the consolidated financial statements. Depreciation is computed using the straight – line method over the property and equipment estimated useful lives based on the following annual depreciation rates:

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

**Investment properties**

These properties represent real estate used for rental activities. The investment properties are stated at cost, and are amortized using the straight-line method at an annual rate of 3%.

**Deferred charges**

The deferred charges are amortized using the straight-line method over five years.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**Provision for End-of-Service Benefits**

Provision for end-of-service benefits is calculated and provided for in accordance with Saudi Labor Regulation.

**Zakat Provision**

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.

**Revenue Recognition**

Revenues are recognized upon sale of the projects and transfer of ownership which coincides with the signed sales contracts.

**General, Administrative, Sales and Marketing Expenses**

General, administrative, selling and marketing expenses are recognized as expenses for the period based on the accrual basis and charged to the accounting period during which they were incurred. Expenses that are deferred for more than one financial year are allocated over such periods using historical cost.

**Foreign Currency Transactions**

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of income of the same period.

**3- CASH AND CASH EQUIVALENTS**

	<u>2008</u>	<u>2007</u>
	SR	SR
Cash on hand	313,448	315,037
Current accounts with local banks in Saudi Riyal	476,161,217	2,006,319,097
Short term Islamic Deposits	240,000,000	1,340,230,802
	<u>716,474,665</u>	<u>3,346,864,936</u>



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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

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**4- ACCOUNTS RECEIVABLE, NET**

	<u>2008</u>	<u>2007</u>
	SR	SR
Customers	953,125,655	488,039,495
Provision for doubtful debts	<u>(4,478,528)</u>	<u>(4,478,528)</u>
	<u>948,647,127</u>	<u>483,560,967</u>

**5- INVESTMENTS:**

**Short-Term investments**

These investments represent the Company's share in financing investments in projects of other companies according to contracts in return of share of the profits generated by these projects during financial periods ranging between one year "short-term" and two years "long-term".

**Investments in lands under development**

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

**Investments in share capital of associates**

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**6- PREPAID EXPENSES AND OTHERS**

	<u>2008</u>	<u>2007</u>
	SR	SR
Prepayments	43,790,822	8,447,313
Employees advances and receivables	2,838,502	2,485,094
Advance payments to contractors	101,205,823	588,409,464
Advance payments to purchase lands	1,334,339,844	780,673,136
Advance payment to acquire an investment	250,000,000	-
Other receivables	4,460,000	2,076,549
	<u>1,736,634,991</u>	<u>1,382,091,556</u>

**7- DUE FROM RELATED PARTIES**

During the year, the Company sold residential homes to individuals who sought financing from entities that are related to the Company. As a result, these related entities reimbursed the Company on behalf of these individuals.

Below are the balances with related parties as at 31 December 2008 and 2007:

	<u>2008</u>	<u>2007</u>
	SR	SR
Kingdom Installment Company	-	3,576,494
Saudi Home Loans Company	57,042,000	-
	<u>57,042,000</u>	<u>3,576,494</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**8- PROJECTS IN PROGRESS**

**Projects in progress – short-term**

	<u>2008</u>	<u>2007</u>
	SR	SR
Residential and Commercial Developments	988,841,009	727,108,988
Lands	159,358,708	1,404,983,099
	<u>1,148,199,717</u>	<u>2,132,092,087</u>

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

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

	<u>2008</u>	<u>2007</u>
	SR	SR
Residential and Commercial Developments	3,205,958,881	2,691,685,247
Lands	3,566,806,382	3,656,010,926
	<u>6,772,765,263</u>	<u>6,347,696,173</u>

Long-term projects in progress represent residential projects and lands owned by the Company which will be transferred to short-term projects in progress upon their completion.

During the year 2008, the Company's management adjusted the Islamic Sukuk charges caption by the capitalization of SR 135,977,648 to projects in progress. This adjustment is reflected in the consolidated statement of income for the year ended 31 December 2008.

**9- DEVELOPED LANDS**

This item represents the value of the lands owned by the Company which have been developed for the purpose of projects construction.



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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**10- PROPERTY AND EQUIPMENT, NET**

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

Cost	Buildings		Vehicles		Furniture & Fixtures		Electrical Appliances		Leasehold Improvements		Prefabricated houses		Tools		Signboards		Total	
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR
Balance at 1/1/2008	134,145,850	11,625,368	20,503,828	15,150,839	12,586,421	8,619,208	5,445,216	5,566,648	213,643,378									
Additions for the year	-	340,168	946,079	1,612,958	38,007	100,000	-	435,000	3,472,212									
Transfers / Disposals during the year	(25,000,000)	-	-	-	-	-	(22,000)	-	(25,022,000)									
<b>Balance at 31/12/2008</b>	<b>109,145,850</b>	<b>11,965,536</b>	<b>21,449,907</b>	<b>16,763,797</b>	<b>12,624,428</b>	<b>8,719,208</b>	<b>5,423,216</b>	<b>6,001,648</b>	<b>192,093,590</b>									
<b>Accumulated Depreciation</b>																		
Balance at 1/1/2008	11,554,248	7,165,421	9,199,001	6,900,918	5,909,602	5,515,723	3,134,603	3,667,596	53,047,112									
Depreciation for the year	5,666,723	2,151,639	4,320,276	3,885,034	2,525,833	2,345,135	334,658	1,023,162	22,252,460									
Transfer during the year	(2,995,890)	-	-	-	-	-	-	-	(2,995,890)									
<b>Balance at 31/12/2008</b>	<b>14,225,081</b>	<b>9,317,060</b>	<b>13,519,277</b>	<b>10,785,952</b>	<b>8,435,435</b>	<b>7,860,858</b>	<b>3,469,261</b>	<b>4,690,758</b>	<b>72,303,682</b>									
<b>Net book value 31/12/2008</b>	<b>94,920,769</b>	<b>2,648,476</b>	<b>7,930,630</b>	<b>5,977,845</b>	<b>4,188,993</b>	<b>858,350</b>	<b>1,953,955</b>	<b>1,310,890</b>	<b>119,789,908</b>									
<b>Net book value 31/12/2007</b>	<b>122,591,602</b>	<b>4,459,947</b>	<b>11,304,827</b>	<b>8,249,921</b>	<b>6,676,819</b>	<b>3,103,485</b>	<b>2,310,613</b>	<b>1,899,052</b>	<b>160,596,266</b>									

- The company transferred assets with a book value of SR 25,000,000 during the year to investment properties caption.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**11- DEFERRED CHARGES, NET**

	<u>2008</u>	<u>2007</u>
	SR	SR
Net deferred charges, beginning of the year	113,585,023	2,512,164
Additions during the year	40,957,238	135,099,426
Amortization charge for the year	<u>(27,671,346)</u>	<u>(24,026,567)</u>
<b>Net deferred charges, end of the year</b>	<b><u>126,870,915</u></b>	<b><u>113,585,023</u></b>

**12- ISLAMIC MURABAHA**

The Company has total bank facilities of SR 2.1 billion from local commercial banks in the form of Islamic Murabaha, Letters of Guarantee and Letters of Credit.

The Company has utilized SR 1,635,000,000 in the form of Islamic Murabaha.

These facilities are secured by promissory notes.

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 Company was in compliance with as at 31 December 2008.

**13- ACCOUNTS PAYABLE**

	<u>2008</u>	<u>2007</u>
	SR	SR
Contractors	164,610,975	98,675,715
Suppliers	6,596,184	5,991,278
Projects' Shareholders	-	3,052,400
	<b><u>171,207,159</u></b>	<b><u>107,719,393</u></b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**14- ACCRUED EXPENSES AND OTHERS**

	<u>2008</u>	<u>2007</u>
	SR	SR
Accrued expenses	6,355,838	3,922,138
Islamic Sukuk charges	48,105,522	70,622,708
Islamic Murabaha charges	39,461,514	21,891,208
Estimated zakat provision – Note 15	510,074,430	473,928,553
Advances from customers	-	288,869,010
Other credit balances	9,389,322	2,648,860
	<u>613,386,626</u>	<u>861,882,477</u>

**15- PROVISION FOR ZAKAT**

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

	<u>2008</u>	<u>2007</u>
	SR	SR
<b><u>Zakat base:</u></b>		
Capital and statutory reserve – beginning of the year	8,642,253,763	8,642,253,763
Provisions – beginning of the year after deduction of amounts paid during the year	482,715,379	452,389,244
Adjusted net income for the year – Note 15/b	2,420,250,901	1,143,643,276
Retained earnings after dividends	737,996,387	349,422,038
Islamic Sukuk	6,000,000,000	-
<b>Total zakat base</b>	<b>18,283,216,430</b>	<b>10,587,708,321</b>
<b>Deductions</b>		
Total deduction after adjustment	<u>15,866,296,428</u>	<u>12,882,928,505</u>
<b>Zakat base</b>	<b>2,416,920,002</b>	<b>(2,295,220,184)</b>
<b>Estimated zakat provision for the year</b>	<b>60,423,000</b>	<b>28,591,082</b>



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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

b) Adjusted net income for the year:

	<u>2008</u>	<u>2007</u>
	SR	SR
Net income for the year	2,416,670,228	1,120,716,798
Provisions	3,580,673	1,757,727
Differences of property and equipment depreciation	-	21,168,751
<b>Adjusted net income – Note 15/a</b>	<u>2,420,250,901</u>	<u>1,143,643,276</u>

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

	<u>2008</u>	<u>2007</u>
	SR	SR
Beginning balance of the year	473,928,553	445,337,471
Payments during the year	(24,277,123)	-
Estimated zakat for the current year	60,423,000	28,591,082
<b>Estimated zakat provision – Note 14</b>	<u>510,074,430</u>	<u>473,928,553</u>

d) The zakat provision for the year 2007 was computed based on the standalone financial statements of Dar Al Arkan Real Estate Development Company.

e) The Company completed its zakat filing up to 2007 inclusive and made advance payment of SR 24 million during 2008.

f) The last zakat certificate received by the Company was for the period ended 30/12/1423 (corresponding to 4/3/2003).

**16- ISLAMIC SUKUK**

This item represents Islamic Sukuk in the amount of SR 6 Billion (USD 1.6 Billion) issued by Dar International Sukuk Company (USD 600 Million) maturing in 2010 and Dar Al Arkan International Sukuk Company (\$1 Billion) maturing in 2012. 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**17- PROVISION FOR END-OF-SERVICE BENEFITS**

	2008	2007
	SR	SR
Balance, beginning of the year	4,475,307	3,152,478
Charge to expenses	3,580,673	1,524,476
Paid during the year	(167,009)	(201,647)
<b>Balance, end of the year</b>	<b>7,888,971</b>	<b>4,475,307</b>

**18- SHARE CAPITAL**

On 13 October 2008 (corresponding to 13 Shawal 1429) the General Assembly of the Company held its extraordinary meeting and resolved to increase the Company's capital share from SR 5.4 billion to SR 7.2 billion by issuing 180 million additional shares at SR 10 per share which were transferred from the retained earnings to the share capital by granting one share for each 3 shares owned by the shareholders who were registered in the shareholders' records at the end of the trading day of Monday 13 October 2008.

**19- PROFITS AND RESERVES**

The Company's annual net profit after deducting of the general expenses and costs are distributed as follows:

- Deduction of Zakat due.
- Deduction of 10% of net income to establish a statutory reserve in accordance with Article 125 of the Regulations for Companies. The Ordinary General Assembly stops this deduction when the reserve reaches 50% of the share capital.

On 19 April 2008 corresponding to 13 Rabi Al Thani 1429 , the General Assembly of shareholders held its ordinary meeting and approved the Board of Directors recommendation to distribute dividends of SR 3 per share to shareholders amounting to SR 1.6 billion who were recorded in the shareholders' register as of the date of General Assembly meeting.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**20- GROSS PROFIT**

Description	2008			2007
	Revenues from operations	Cost of operations	Gross profit	Gross profit
	SR	SR	SR	SR
Lands Residential and Commercial Developments	4,620,392,501	(2,198,657,726)	2,421,734,775	1,784,308,310
	990,375,444	(566,929,048)	423,446,396	623,699,870
<b>Total</b>	<b>5,610,767,945</b>	<b>(2,765,586,774)</b>		
<b>Gross profit</b>			<b>2,845,181,171</b>	<b>2,408,008,180</b>

**21- SALES AND MARKETING EXPENSES**

The details of this item are as follows:

	2008	2007
	SR	SR
Salaries, wages and related cost	10,483,665	7,590,195
Advertising	20,502,728	20,403,091
Exhibitions and seminars	10,878,363	9,307,040
Marketing expenses	6,116,611	-
Maintenance and utilities	2,948,486	-
Professional fees	354,378	1,586,255
Others	1,391,201	199,362
	<b>52,675,432</b>	<b>39,085,943</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

**22- GENERAL AND ADMINISTRATIVE EXPENSES**

The details of this item are as follows:

	<u>2008</u>	<u>2007</u>
	SR	SR
Salaries, wages and related cost	59,342,655	30,681,664
Professional fees	14,174,351	1,401,576
Maintenance and utilities	12,024,606	7,112,439
Travel expenses	3,285,780	299,952
Advertising	2,776,308	-
Rent	1,452,905	416,383
Others	3,900,102	3,856,841
	<u>96,956,707</u>	<u>43,768,855</u>

**23- EARNING PER SHARE**

Earning per share is computed by dividing the net income for the year by the outstanding number of shares at the end of the year amounting 720,000,000 shares for all the years.

**24- SEGMENT INFORMATION**

The Company's management believes that operational segment information disclosure for the Company and its subsidiaries is not required, due to the fact that so far up to 31 December 2008 the Company has only one major operating sector representing real estate development and operates mainly in the Kingdom of Saudi Arabia.

**25- COMMITMENTS**

As at 31 December 2008, the Company and its subsidiaries have commitments which represent the value of the part not yet executed from the projects development contracts amounting to SR 1,061 million (2007: SR 1,394 million).

**26- COMPARATIVE FIGURES**

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