

DAR AL ARKAN
REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REVIEW REPORT
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2009

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

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FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2009

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License No. 96

License No. 81

INDEPENDENT AUDITORS' REVIEW REPORT

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

Scope of review

We have reviewed the accompanying interim consolidated balance sheet of **Dar Al Arkan Real Estate Development Company** (A Saudi joint stock company) as at March 31, 2009 and the related interim consolidated statements of income, changes in shareholders' equity and cash flows for the three months period then ended. These interim consolidated financial statements are the responsibility of the Company's management and were presented to us with all the information and explanation which we require.

We conducted our review in accordance with Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A review of interim financial statements consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with Generally Accepted Auditing Standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review result

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with Generally Accepted Accounting Standards.

Deloitte & Touche
Bakr Abulkhair & Co.

Talal Abu-Ghazaleh & Co.

Bakr A. Abulkhair
License No. 101

Abdulqadir A. Al-Wohaib
License No. 48

17 Rabi Al-Thani, 1430
13 April 2009



INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 31 MARCH 2009

	Notes	31 March 2009 SR	31 March 2008 SR
ASSETS			
Current Assets			
Cash and cash equivalents	(3)	194,224,067	1,699,651,989
Accounts receivable, net	(4)	1,005,659,387	350,963,298
Prepaid expenses and others	(5)	994,873,774	1,011,462,781
Due from related parties	(6)	50,454,000	89,437,494
Projects in progress – short-term	(7)	940,741,219	2,001,505,338
Developed land – short-term		120,600,000	120,600,000
Total current assets		3,306,552,447	5,273,620,900
Non-Current Assets			
Projects in progress - long-term	(7)	7,298,902,665	7,206,055,338
Investments in land under development	(8)	3,683,391,314	3,005,267,004
Developed land - long-term		3,797,488,884	3,084,029,040
Investment properties		998,402,268	241,689,818
Investment in associates	(8)	1,122,000,000	175,000,000
Property and equipment, net		115,642,205	134,362,276
Deferred charges, net		119,212,457	104,610,882
Total Non-Current Assets		17,135,039,793	13,951,014,358
TOTAL ASSETS		20,441,592,240	19,224,635,258
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Islamic Murabaha – short-term	(9)	1,300,000,000	800,000,000
Accounts payable		156,250,323	156,608,057
Accrued expenses and others	(10)	587,708,507	810,042,804
Total current liabilities		2,043,958,830	1,766,650,861
Non-Current Liabilities			
Islamic Murabaha – long-term	(9)	228,093,209	-
Islamic Sukuk	(11)	6,000,000,000	6,000,000,000
Provision for end-of-service indemnities		8,527,220	4,976,139
Total Non-Current Liabilities		6,236,620,429	6,004,976,139
Shareholders' Equity			
Share capital	(12)	7,200,000,000	5,400,000,000
Statutory reserve		3,600,000,000	3,242,253,763
Retained earnings		1,361,012,981	2,810,754,495
Total shareholders' equity		12,161,012,981	11,453,008,258
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		20,441,592,240	19,224,635,258



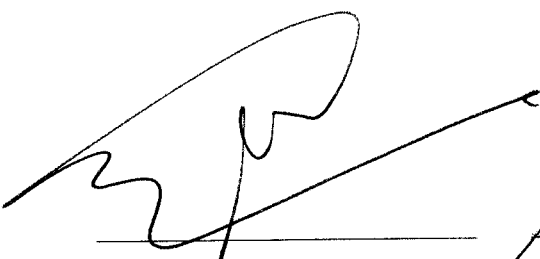


The accompanying notes form an integral part of these interim consolidated financial statements

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2009

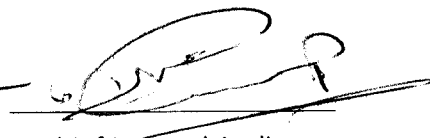
	Notes	Three months period ended 31 March	
		2009 SR	2008 SR
Revenues from operations		1,237,714,613	1,234,165,207
Cost of operations		(724,880,532)	(647,462,837)
Gross profit	(13)	512,834,081	586,702,370
Operating expenses:			
Sales and Marketing expenses		(7,978,979)	(6,265,494)
General and administrative expenses		(21,403,451)	(16,016,962)
Other parties' share in profits from investments		-	(1,220,960)
Depreciation of property and equipment		(4,834,347)	(5,847,641)
Amortization of deferred charges		(4,400,730)	(8,974,141)
Income for the period from operating activities		474,216,574	548,377,172
Other Income / (expenses) :			
Islamic Murabaha charges , net		(17,179,084)	(10,664,886)
Islamic Sukuk Charges		(25,188,250)	(93,773,607)
Other income		666,363	8,819,429
Income for the period before Zakat		432,515,603	452,758,108
Zakat provision		(8,000,000)	-
Net income for the period		424,515,603	452,758,108
Earnings per share	(14)		
From operating activities		0.66	0.76
From net income for the period		0.59	0.63



 Managing Director



 Chief Financial Officer



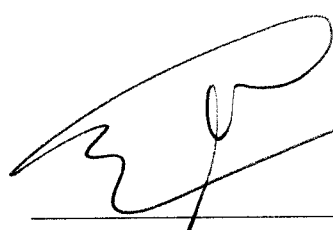
 Chief Internal Auditor

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

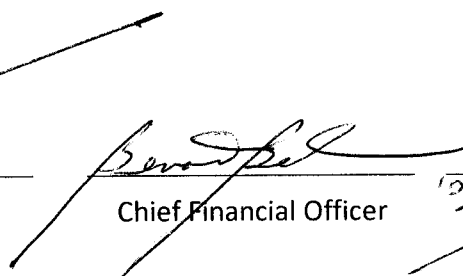
DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2009

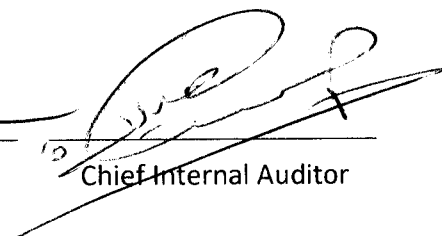
	Share capital SR	Statutory Reserve SR	Retained Earnings SR	Total SR
2008				
Balance as at 1 January 2008	5,400,000,000	3,242,253,763	2,357,996,387	11,000,250,150
Net income for the period	-	-	452,758,108	452,758,108
Balance as at 31 March 2008	5,400,000,000	3,242,253,763	2,810,754,495	11,453,008,258
2009				
Balance as at 1 January 2009	7,200,000,000	3,600,000,000	936,497,378	11,736,497,378
Net Income for the period	-	-	424,515,603	424,515,603
Balance as at 31 March 2009	7,200,000,000	3,600,000,000	1,361,012,981	12,161,012,981



Managing Director



Chief Financial Officer



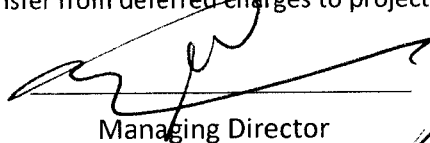
Chief Internal Auditor

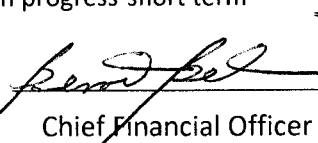
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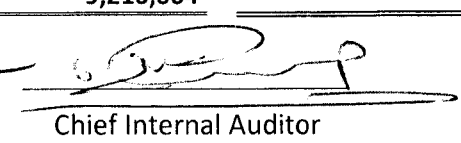
DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2009

	Three months period ended 31 March	
	2009	2008
	SR	SR
CASH FLOWS FROM OPERATING ACTIVITIES		
Income for the period before zakat	432,515,603	452,758,108
Adjustment for:		
Depreciation of property and equipment	4,834,347	5,847,641
Amortization of deferred charges	4,400,730	8,974,141
Provision for end-of-service indemnities	675,581	500,832
Changes in operating assets and liabilities		
Accounts receivable	(57,012,260)	132,597,669
Prepaid expenses and others	741,761,217	370,628,775
Due from related parties	6,588,000	(85,861,000)
Projects in progress – short-term	216,674,562	152,590,859
Developed land – short-term	-	430,787,179
Accounts payable	(14,956,836)	48,888,664
Accrued expenses and others	(33,678,119)	(51,839,673)
End-of- service indemnities paid	(37,332)	-
Net cash from operating activities	1,301,765,493	1,465,873,195
CASH FLOWS FROM INVESTING ACTIVITIES		
Short term investment	-	6,645,485
Projects in progress – long-term	(526,137,402)	(858,359,165)
Investments in land under development	44,088,720	(1,710,177,227)
Developed land – long-term	(819,251,480)	(849,577,474)
Investment properties	(407,164,158)	-
Investments in associates	(2,000,000)	(100,000,000)
Purchase of property and equipment	(686,644)	(1,617,761)
Net cash used in investing activities	(1,711,150,964)	(3,513,086,142)
CASH FLOWS FROM FINANCING ACTIVITIES		
Islamic Murabaha	(106,906,791)	400,000,000
Deferred charges	(5,958,336)	-
Net cash (used in) / from financing activities	(112,865,127)	400,000,000
Decrease in cash and cash equivalents	(522,250,598)	(1,647,212,947)
Cash and cash equivalents, beginning of the period	716,474,665	3,346,864,936
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	194,224,067	1,699,651,989
Non-cash transaction:		
Transfer from deferred charges to projects in progress-short term	9,216,064	-


 Managing Director


 Chief Financial Officer


 Chief Internal Auditor

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2009

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 land 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 subsidiaries:

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

DAR AL-ARKAN COMMERCIAL INVESTMENT COMPANY – is a limited liability company, 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 of real estate investments.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim consolidated financial statements have been prepared in accordance with the Standard of Interim Financial Reporting issued by the Saudi Organization of Certified Public Accountants (SOCPA). The significant accounting policies adopted by the Company in preparing its interim consolidated financial statements are in conformity with those described in the Company's annual report for the year ended 31 December 2008 and are summarized below:

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2009 (CONTINUED)**

Basis of consolidation of the interim financial statements

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

<u>Company</u>	<u>Establishment Country</u>	<u>Ownership</u>	<u>Main Activity</u>
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 interim consolidated financial statements are prepared under the historical cost convention using accrual basis and going concern assumption except for investment in associates which is accounted for under equity method of accounting.

Cash and cash equivalents

For the purpose of preparing the interim 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 (if any).

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 interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2009 (CONTINUED)

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 interim 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 interim 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.

Provision for End-of-Service Benefits

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2009 (CONTINUED)

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 interim 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 interim consolidated statement of income of the same period.

3. CASH AND CASH EQUIVALENTS

	31 March 2009 (Unaudited)	31 March 2008 (Unaudited)
	SR	SR
Cash on hand	1,310,116	373,079
Current accounts with local banks in Saudi Riyal	192,913,951	1,699,278,910
Total	194,224,067	1,699,651,989

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2009 (CONTINUED)

4. ACCOUNTS RECEIVABLE, NET

	31 March 2009 (Unaudited)	31 March 2008 (Unaudited)
	SR	SR
Customers	1,010,137,915	355,441,826
Provision for doubtful debtors	(4,478,528)	(4,478,528)
Total	1,005,659,387	350,963,298

5. PREPAID EXPENSES AND OTHERS

	31 March 2009 (Unaudited)	31 March 2008 (Unaudited)
	SR	SR
Prepayments	4,427,791	5,371,225
Employees' advances and receivables	2,472,658	1,732,576
Advance payments to suppliers	5,600,042	-
Advance payments to contractors	130,282,921	223,599,303
Advance payments to purchase land	597,509,942	780,673,136
Advance for an investment	250,000,000	-
Others	4,580,420	86,541
Total	994,873,774	1,011,462,781

6. DUE FROM RELATED PARTIES

During the period, 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 March:

	2009 (Unaudited)	2008 (Unaudited)
	SR	SR
Kingdom Installment Company	-	89,437,494
Saudi Home Loans Company	50,454,000	-
Total	50,454,000	89,437,494

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2009 (CONTINUED)

7. PROJECTS IN PROGRESS

a) Projects in progress – short-term:

	31 March 2009 (Unaudited)	31 March 2008 (Unaudited)
	SR	SR
Residential and Commercial Developments	940,741,219	1,199,753,887
Land development projects	-	801,751,451
	<u>940,741,219</u>	<u>2,001,505,338</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.

b) Projects in progress – long-term:

	31 March 2009 (Unaudited)	31 March 2008 (Unaudited)
	SR	SR
Residential and Commercial Developments	1,380,205,796	1,029,248,670
Land development projects	5,918,696,869	6,176,806,668
	<u>7,298,902,665</u>	<u>7,206,055,338</u>

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

8. INVESTMENTS

Investments in land under development

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

Investment in associates

This item represents investment in shares of companies that are not publicly traded. The Company's ownership in these companies ranges from 15% to 34%. The Company's share of profits and losses in these associates over which the Company exercises significant influence amounted to nil for the three months period ended 31 March 2009 and 2008.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2009 (CONTINUED)

9. ISLAMIC MURABAHA

a) Islamic Murabaha - Short-term

The Company has total bank facilities of SR 1.8 billion from local commercial banks in the form of short-term Islamic Murabaha, letters of guarantee and letters of credit.

The Company has utilized SR 1.3 billion in the form of Islamic Murabaha. The short-term Islamic Murabaha bears finance charges at prevailing rates between the local banks plus an annual profit margin ranging from 1.75% to 2.75%.

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 March 2009.

b) Islamic Murabaha - Long-term

This represents SR 400 million long term Islamic Murabaha facility from local commercial banks for construction of commercial properties. This facility is collateralized by specific assets of a subsidiary. The long-term Islamic Murabaha bears finance charges at prevailing rates between the local banks plus an annual profit margin of 2.25%. As at 31 March 2009, the Company has utilized SR 228 million, which matures on January 31, 2012.

10. ACCRUED EXPENSES AND OTHERS

	31 March 2009 (Unaudited) SR	31 March 2008 (Unaudited) SR
Accrued expenses	6,949,369	1,304,010
Islamic Sukuk charges	37,671,777	318,734,052
Islamic Murabaha charges	17,265,235	14,615,883
Zakat provision	518,074,430	473,928,553
Other credit balances	7,747,696	1,460,306
Total	587,708,507	810,042,804

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2009 (CONTINUED)

11. ISLAMIC SUKUK

This item represents Islamic Sukuk in the amount of SR 6 Billion (USD 1.6 Billion) at LIBOR plus profit margin of 2%, issued by Dar International Sukuk Company (USD 600 Million) maturing in 2010 and Dar Al Arkan International Sukuk Company (\$1 Billion) at LIBOR plus profit margin of 2.25%, 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 land owned by the company with the right to buy back the beneficial ownership of these land 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 March 2009.

12. 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.

13. GROSS PROFIT

Description	Three months period ended 31 March 2009			Three months period ended 31 March 2008
	Revenues from operations	Cost of operations	Gross profit	Gross profit
	SR	SR	SR	SR
Land	1,117,602,613	(636,509,579)	481,093,034	482,098,425
Residential and Commercial Developments	120,112,000	(88,370,953)	31,741,047	104,603,945
Total	1,237,714,613	(724,880,532)		
Gross profit			512,834,081	586,702,370

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2009 (CONTINUED)

14. EARNINGS PER SHARE

Earnings per share from operating activities and from net income for the period are computed by dividing them by the outstanding number of shares at the end of the period amounting 720,000,000 shares for all the periods.

15. 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 March 2009 the Company has only one major operating sector representing real estate development and operates mainly in the Kingdom of Saudi Arabia.

16. INTERIM RESULTS

The results of operations for the interim periods may not be a fair indication of the results in the final financial statements.

17. COMPARATIVE FIGURES

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