

DAR AL ARKAN
REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011**

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

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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) (the “Company”) as at March 31, 2011 and the related interim consolidated statements of income, cash flows and changes in shareholders’ equity for the three month period then ended, prepared by the Company and presented to us with all the information and explanations which we require. These interim consolidated financial statements are the responsibility of the Company’s management.

We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A limited review 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 Auditing Standards Generally Accepted in the Kingdom of Saudi Arabia, 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 Accounting Standards Generally Accepted in the Kingdom of Saudi Arabia.

Deloitte & Touche
Bakr Abulkhair & Co.

Bakr A. Abulkhair

Certified Public Accountant
License No. 101



Talal Abu-Ghazaleh & Co.

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Certified Public Accountant
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15 Jumada Al-Awal 1432 H
April 19, 2011

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 31 MARCH 2011

	Notes	31 March 2011 SR 000	31 March 2010 SR 000
ASSETS			
Current Assets			
Cash and cash equivalents		1,453,474	1,353,055
Accounts receivable	(5)	1,802,009	696,867
Prepaid expenses and others	(6)	717,128	657,232
Due from related parties	(7)	2,264	3,065
Projects in progress – short-term	(8 a)	166,791	583,414
Developed land – short-term		279,724	271,689
Total Current Assets		4,421,390	3,565,322
Non-Current Assets			
Projects in progress – long-term	(8 b)	8,120,111	8,760,472
Investments in land under development	(9)	4,895,209	4,227,240
Developed land – long-term		2,929,939	3,900,773
Investment properties		1,955,043	1,619,377
Investment in associates	(10)	1,162,760	1,162,360
Property and equipment	(11)	88,660	99,615
Deferred charges	(12)	1,661	2,753
Total Non-Current Assets		19,153,383	19,772,590
TOTAL ASSETS		23,574,773	23,337,912
LIABILITIES AND EQUITY			
Current Liabilities			
Islamic borrowings – current portion	(13)	857,143	450,000
Accounts payable	(15)	392,418	475,977
Accrued expenses and others	(16)	707,941	654,563
Total Current Liabilities		1,957,502	1,580,540
Non-Current Liabilities			
Islamic borrowings	(13)	6,831,330	7,221,959
Provision for end-of-service indemnities	(17)	13,223	12,847
Total Non-Current Liabilities		6,844,553	7,234,806
Shareholders' Equity			
Share capital	(18)	10,800,000	10,800,000
Statutory reserve		607,768	462,268
Retained earnings		3,100,209	2,995,557
Equity attributable to Dar Al Arkan shareholders		14,507,977	14,257,825
Non-controlling interests from Group subsidiaries		264,741	264,741
Total Equity		14,772,718	14,522,566
TOTAL LIABILITIES AND EQUITY		23,574,773	23,337,912


Managing Director


Chief Financial Officer

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

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011

	Notes	Three-month period ended	
		31 March 2011	31 March 2010
		SR 000	SR 000
Revenues from operations		955,154	1,144,938
Cost of operations		(588,527)	(666,516)
Gross profit	(4)	366,627	478,422
Operating expenses:			
General, administrative, selling and marketing expenses		(19,668)	(33,295)
Depreciation		(2,533)	(3,818)
Amortisation of deferred charges	(12,13a)	(4,866)	(6,069)
Income for the period from operating activities		339,560	435,240
Other Income / (expenses) :			
Share of income/(loss) from investment in associates		400	-
Islamic Murabaha charges		(16,427)	(14,626)
Islamic Sukuk charges		(35,269)	(27,490)
Other (expenses) income		(174)	13,525
Income for the period before Zakat		288,090	406,649
Zakat provision		(15,000)	(8,000)
Net income for the period		273,090	398,649
Earnings per share (in Saudi Riyal)			
From operating activities	(19)	0.31	0.40
From net income for the period		0.25	0.37


Managing Director


Chief Financial Officer

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011

	Three-month period ended	
	31 March 2011	31 March 2010
	SR 000	SR 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income for the period before zakat	288,090	406,649
Adjustment for:		
Depreciation	2,533	3,818
Amortisation of deferred charges	4,866	6,069
Provision for end-of-service indemnities	861	1,141
Share of income from investment in associates	(400)	
Gain on disposal of property and equipment	(288)	
Changes in operating assets and liabilities		
Accounts receivable	(135,009)	149,045
Prepaid expenses and others	8,890	10,177
Due from related parties	(900)	(356)
Projects in progress – short term	17,869	94,017
Developed land – short-term	(8,837)	14,939
Accounts payable	(31,401)	5,020
Accrued expenses and others	(40,798)	11,427
End-of-service indemnities paid	(237)	(332)
Net cash from operating activities	105,239	701,614
CASH FLOWS FROM INVESTING ACTIVITIES		
Projects in progress – long-term	528,707	(169,436)
Investments in land under development	(163,549)	(543,849)
Developed land – long-term	-	270,880
Advance payments to purchase land	(169,627)	(434,603)
Investment properties	(40,904)	(101,397)
Purchase of property and equipment	(13)	(313)
Proceeds from disposal of property and equipment	322	
Net cash from / (used in) investing activities	154,936	(978,718)
CASH FLOWS FROM FINANCING ACTIVITIES		
Islamic borrowings	4,786	(593,336)
Net cash from / (used in) financing activities	4,786	(593,336)
Increase/(Decrease) in cash and cash equivalents	264,961	(870,440)
Cash and cash equivalents, beginning of the period	1,188,513	2,223,495
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	1,453,474	1,353,055


Managing Director


Chief Financial Officer

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011

	Share Capital	Statutory Reserve	Retained Earnings	Equity attributable to Dar Al Arkan Shareholders
	SR 000	SR 000	SR 000	SR 000
2010				
Balance as at 1 January 2010	10,800,000	462,268	2,596,908	13,859,176
Net income for the Period	-	-	398,649	398,649
Balance as at 31 March 2010	10,800,000	462,268	2,995,557	14,257,825
2011				
Balance as at 1 January 2011	10,800,000	607,768	2,827,119	14,234,887
Net income for the period	-	-	273,090	273,090
Balance as at 31 March 2011	10,800,000	607,768	3,100,209	14,507,977


Managing Director


Chief Financial Officer

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011

1. GENERAL INFORMATION:

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

The Group is predominantly engaged in the business of development, sale and lease of real estate projects and associated activities.

The Group operates in general construction of residential and commercial buildings (construction, maintenance, demolition and reconstruction). Below is the nature of business of the Group's subsidiaries:

DAR AL-ARKAN PROPERTIES COMPANY – is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010254063, dated 25/7/1429 H (corresponding to 28/7/2008 G). It operates in development and acquisition of commercial and residential real estate. It provides management, operation and maintenance of residential and commercial buildings and public facilities.

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

DAR AL-ARKAN COMMERCIAL INVESTMENT COMPANY – is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No: 1010247585, dated 28/3/1429 H (corresponding to 5/4/2008 G). It operates in purchase and acquisition, lease of real estate investments.

DAR AL-ARKAN SUKUK COMPANY – is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No: 1010256421, dated 16/9/1429 H (corresponding to 16/9/2008 G). It operates in Real Estate investments and development.

SUKUK AL-ARKAN COMPANY – is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No: 1010274407, dated 11/10/1430 H (corresponding to 01/10/2009 G). It operates in development, maintenance and management of real estates, purchase of land and general contracting.

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim consolidated financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia issued by the Saudi Organisation of Certified Public Accountants (SOCPA).

2.2 ACCOUNTING CONVENTION

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

2.3 BASIS OF CONSOLIDATION

The interim consolidated financial statements of the Group incorporate the financial statements of the companies and enterprises controlled by the Group (its subsidiaries) made up to 31 March 2011.

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

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

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

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

Investments in associates

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

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2011 (CONTINUED)**

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

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

2.4 PROPERTY AND EQUIPMENT

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

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

Land and buildings	3%
Plant and machinery	20%
Office equipment	20% - 25%
Leasehold improvements	5% - 20%
Vehicles	25%

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

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

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

2.5 INVESTMENT PROPERTIES

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

Buildings	3%
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