

DAR AL ARKAN
REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REVIEW REPORT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2009

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

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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 June 30, 2009 and the related interim consolidated statement of income for the three-month and six-month periods then ended and the interim consolidated statements of cash flows and changes in shareholders' equity for the six-month 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.

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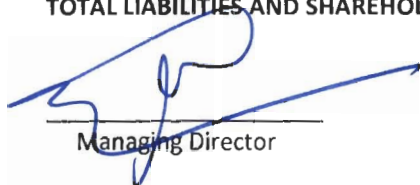
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14 Rajab 1430
7 July 2009

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30 JUNE 2009

	Notes	30 June 2009 SR '000	30 June 2008 SR '000
ASSETS			
Current Assets			
Cash and cash equivalents		460,215	1,012,010
Accounts receivable, net	(3)	763,936	405,536
Prepaid expenses and others	(4)	1,034,362	1,151,693
Due from related parties	(5)	31,500	88,208
Projects in progress – short-term	(6 a)	692,549	1,470,263
Developed land – short-term		2,576,945	120,600
Total current assets		5,559,507	4,248,310
Non-Current Assets			
Projects in progress - long-term	(6 b)	7,834,593	7,058,924
Investments in land under development	(7 a)	3,683,391	2,915,066
Developed land - long-term		2,256,192	3,185,243
Investment properties		1,375,260	416,464
Investment in associates	(7 b)	1,152,400	177,500
Property and equipment, net		111,072	129,361
Deferred charges, net		125,528	98,213
Total Non-Current Assets		16,538,436	13,980,771
TOTAL ASSETS		22,097,943	18,229,081
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Islamic Murabaha – short-term	(8 a)	900,000	1,000,000
Islamic Sukuk – short -term	(10 a)	2,250,000	-
Accounts payable		262,877	142,480
Accrued expenses and others	(9)	739,293	559,388
Total current liabilities		4,152,170	1,701,868
Non-Current Liabilities			
Islamic Murabaha – long-term	(8 b)	657,195	-
Islamic Sukuk – long-term	(10 b,c)	4,500,000	6,000,000
Provision for end-of-service indemnities		9,297	6,672
Total Non-Current Liabilities		5,166,492	6,006,672
Shareholders' Equity			
Share capital	(11)	7,200,000	5,400,000
Statutory reserve		3,600,000	3,242,254
Retained earnings		1,979,281	1,878,287
Total shareholders' equity		12,779,281	10,520,541
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		22,097,943	18,229,081


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 INCOME (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2009

	Notes	Three-month period ended 30 June		Six-month period ended 30 June	
		2009	2008	2009	2008
		SR '000	SR '000	SR '000	SR '000
Revenues from operations		1,482,369	1,550,358	2,720,084	2,784,523
Cost of operations		(769,545)	(714,331)	(1,494,426)	(1,361,794)
Gross profit	(12)	712,824	836,027	1,225,658	1,422,729
Operating expenses:					
General, administrative, sales and marketing expenses		(34,328)	(38,646)	(63,710)	(62,149)
Depreciation of property and equipment		(4,918)	(5,585)	(9,752)	(11,432)
Amortization of deferred charges		(5,371)	(9,260)	(9,772)	(18,235)
Income for the period from operating activities		668,207	782,536	1,142,424	1,330,913
Other Income / (expenses) :					
Islamic Murabaha charges, net		(15,994)	(12,899)	(33,173)	(23,564)
Islamic Sukuk charges		(20,245)	(84,721)	(45,433)	(178,494)
Other income		1,301	2,617	1,966	11,436
Income for the period before Zakat		633,269	687,533	1,065,784	1,140,291
Zakat provision		(15,000)	-	(23,000)	-
Net income for the period		618,269	687,533	1,042,784	1,140,291
Earnings per share (in Saudi Riyal)					
	(13)				
From operating activities		0.62	0.72	1.06	1.23
From net income for the period		0.57	0.64	0.97	1.06



Managing Director



Chief Financial Officer





Chief Internal Auditor

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2009

	Six-month period ended 30 June	
	2009 SR '000	2008 SR '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income for the period before zakat	1,065,784	1,140,291
Adjustment for:		
Depreciation of property and equipment	9,752	11,432
Amortization of deferred charges, net	9,772	18,235
Provision for end-of-service indemnities	2,063	2,295
Share of income in associates	(400)	-
Changes in operating assets and liabilities		
Accounts receivable	184,711	84,671
Prepaid expenses and others	702,273	230,399
Due from related parties	25,542	(84,633)
Projects in progress – short-term	455,651	683,834
Developed land – short-term	(250,004)	430,787
Accounts payables	91,669	34,761
Accrued expenses and others	102,906	(302,494)
End-of- service indemnities paid	(654)	(99)
Net cash from operating activities	2,399,065	2,249,479
CASH FLOWS FROM INVESTING ACTIVITIES		
Projects in progress – long-term	(1,061,828)	(711,228)
Investments in land under development	44,088	(1,619,976)
Developed land – long-term	(1,484,295)	(950,792)
Investment properties	(784,022)	(174,774)
Investment in associates	(32,000)	(102,500)
Purchase of property and equipment	(1,034)	(2,201)
Net cash used in investing activities	(3,319,091)	(3,561,471)
CASH FLOWS FROM FINANCING ACTIVITIES		
Islamic Murabaha	(77,805)	600,000
Islamic Sukuk	750,000	-
Dividends	-	(1,620,000)
Deferred charges	(8,429)	(2,863)
Net cash from / (used in) financing activities	663,766	(1,022,863)
Decrease in cash and cash equivalents	(256,260)	(2,334,855)
Cash and cash equivalents, beginning of the period	716,475	3,346,865
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	460,215	1,012,010
Non-cash transaction:		
Transfer from deferred charges to projects in progress - short-term:	18,381	-
Transfer of developed land from long term to short term	2,206,341	-


Managing Director


Chief Financial Officer


Chief Internal Auditor

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2009


	<u>Share capital</u>	<u>Statutory Reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
	SR '000	SR '000	SR '000	SR '000
2008				
Balance as at 1 January 2008	5,400,000	3,242,254	2,357,996	11,000,250
Dividends	-	-	(1,620,000)	(1,620,000)
Net income for the period	-	-	1,140,291	1,140,291
Balance as at 30 June 2008	<u>5,400,000</u>	<u>3,242,254</u>	<u>1,878,287</u>	<u>10,520,541</u>
2009				
Balance as at 1 January 2009	7,200,000	3,600,000	936,497	11,736,497
Net income for the period	-	-	1,042,784	1,042,784
Balance as at 30 June 2009	<u>7,200,000</u>	<u>3,600,000</u>	<u>1,979,281</u>	<u>12,779,281</u>



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 SIX-MONTH PERIOD ENDED 30 JUNE 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.

DAR AL-ARKAN SUKUK COMPANY – is a limited liability company, 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.

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

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:

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:

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2009 (CONTINUED)

<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 Commercial Investment Company Limited Liability Company	Kingdom of Saudi Arabia	100 %	Real Estate Investments
Dar Al Arkan Sukuk Company Limited Liability Company	Kingdom of Saudi Arabia	100 %	Real Estate Investments and Development

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 are 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 from acquisition date (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.

Investment 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2009 (CONTINUED)

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 Indemnities

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

Zakat Provision

Zakat is calculated and recognized in the interim 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2009 (CONTINUED)

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. ACCOUNTS RECEIVABLE, NET

	30 June 2009 (Unaudited) SR '000	30 June 2008 (Unaudited) SR '000
Customers	768,415	410,015
Provision for doubtful debtors	(4,479)	(4,479)
Total	<u>763,936</u>	<u>405,536</u>

4. PREPAID EXPENSES AND OTHERS

	30 June 2009 (Unaudited) SR '000	30 June 2008 (Unaudited) SR '000
Prepaid expenses	6,233	14,262
Employees' advances and receivables	2,219	750
Advance payments to suppliers	3,413	9,469
Advance payments to contractors	125,752	96,524
Advance payments to purchase land	644,832	780,673
Advance for an investment	251,875	250,000
Others	38	15
Total	<u>1,034,362</u>	<u>1,151,693</u>

5. DUE FROM RELATED PARTIES

During the period, the Company sold residential homes to individuals who sought financing from Saudi Home Loans, which is an associate to the Company. As a result, Saudi Home Loans has reimbursed the Company on behalf of these individuals. The balance with Saudi Home Loans as at 30 June 2009 is SR 31,500 thousand (30 June 2008: SR 88,208 thousand).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2009 (CONTINUED)

6. PROJECTS IN PROGRESS

a) Projects in progress – short-term:

	30 June 2009 (Unaudited)	30 June 2008 (Unaudited)
	SR '000	SR '000
Residential and Commercial Development	692,549	935,723
Land development projects	-	534,540
	<u>692,549</u>	<u>1,470,263</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:

	30 June 2009 (Unaudited)	30 June 2008 (Unaudited)
	SR '000	SR '000
Residential and Commercial Development	1,416,662	1,084,787
Land development projects	6,417,931	5,974,137
	<u>7,834,593</u>	<u>7,058,924</u>

Long-term projects in progress represent residential projects and land owned by the Company, which will not be completed within the next twelve months.

During the period the Company's management capitalized Islamic Sukuk charges in the amount of SR 88 million under projects in progress.

7. INVESTMENTS

a) Investments in land under development

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

b) 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 SR 400 thousands for the six-month period ended 30 June 2009 (30 June 2008: nil).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2009 (CONTINUED)

8. ISLAMIC MURABAHA

a) Islamic Murabaha – Short-term

The Company has total bank facilities of SR 1 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 900 million in the form of Islamic Murabaha. The short-term Islamic Murabaha bear 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 certain financial covenants, which the Company was in compliance with as at 30 June 2009.

b) Islamic Murabaha – Long-term

This represents SR 800 million long-term Islamic Murabaha facility from local commercial banks comprising:

- 1) An amount of SR 400 million bears finance charges at prevailing rates between the local banks plus an annual profit margin of 2.5% and is repayable in eight equal semi-annual payments starting October 2010. As of 30 June 2009, the Company has utilized SR 400 million.
- 2) An amount of SR 400 million bears finance charges at prevailing rates between the local banks plus an annual profit margin of 2.25% and matures on 31 January 2012. As at 30 June 2009, the Company has utilized SR 257 million. This facility is collateralized by specific assets of a subsidiary.

9. ACCRUED EXPENSES AND OTHERS

	30 June 2009 (Unaudited) SR '000	30 June 2008 (Unaudited) SR '000
Accrued expenses	58	917
Islamic Sukuk charges	9,483	45,819
Islamic Murabaha charges	11,137	14,813
Advances from customers	172,454	-
Zakat provision	533,074	473,929
Other credit balances	13,087	23,910
Total	739,293	559,388

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2009 (CONTINUED)

10. ISLAMIC SUKUK

a) International – Short-term

This item represents SR 2.25 Billion (USD 600 Million) of Islamic Sukuk carried in the books of the Company, which is issued by Dar International Sukuk Company at LIBOR plus profit margin of 2% and matures on 4 March 2010. The beneficiary rights are for Dar Al Arkan Real Estate Development Company and its subsidiaries. These Sukuk were issued through the sale of land owned by the Company with the rights 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.

b) International – Long-term

This item represents SR 3.75 Billion (USD 1 Billion) of Islamic Sukuk carried in the books of the Company, which is issued by Dar Al Arkan International Sukuk Company at LIBOR plus profit margin of 2.25% and maturing on 16 July 2012. The beneficiary rights are for Dar Al Arkan Real Estate Development Company and its subsidiaries. These Sukuk were issued through the sale of land owned by the Company with the rights 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.

c) Local

This item represents an Islamic Sukuk issued by the Company for the amount of SR 750 Million at SIBOR plus profit margin of 4%, maturing on 15 April 2014.

The Sukuk agreements include certain financial covenants, which the Company was in compliance with as at 30 June 2009.

11. SHARE CAPITAL

On 28 Jumadi Al Awal 1430 (corresponding to 23 May 2009), the Board of Directors recommended to increase the Company's share capital from SR 7.2 billion to SR 10.8 billion by issuing 360 million additional shares at SR 10 per share, by transferring SR 3.6 billion from the statutory reserve and retained earnings. On Tuesday 14 Rajab 1430 (corresponding to 7 July 2009), the General Assembly of the Company held its extraordinary meeting and approved the increase in share capital. The shareholders who were registered in the shareholders' records at the end of the trading day of 14 Rajab 1430 (corresponding to 7 July 2009) were granted one share for each two shares held at that date. These interim consolidated financial statements as at 30 June 2009 do not reflect the impact of this approval.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2009 (CONTINUED)

12. GROSS PROFIT

Description	Six-month period ended 30 June 2009			Six-month period ended 30 June 2008
	Revenues from operations	Cost of operations	Gross profit	Gross profit
	SR	SR	SR	SR
	SR '000	SR '000	SR '000	SR '000
Land	2,448,364	(1,283,176)	1,165,188	1,031,058
Residential and Commercial Development	271,720	(211,250)	60,470	391,671
Total	2,720,084	(1,494,426)		
Gross profit			1,225,658	1,422,729

13. EARNINGS PER SHARE

Earnings per share from operating activities and from net income for all the periods are computed by dividing with 1,080 million of equity shares after considering the proposed share capital increase.

14. 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 30 June 2009, the Company has only one major operating sector representing real estate development and operates mainly in the Kingdom of Saudi Arabia.

15. INTERIM RESULTS

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

16. COMPARATIVE FIGURES

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