

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

RIYADH – KINGDOM OF SAUDI ARABIA

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITORS' REVIEW REPORT FOR THE
THREE MONTHS PERIOD AND YEAR ENDED 31 DECEMBER 2008**

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY
RIYADH – KINGDOM OF SAUDI ARABIA

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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 of 31 December 2008 and the related interim consolidated statement of income for the three months period and year ended December 31, 2008 and the interim consolidated statements of changes in shareholders' equity and cash flows for the year 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 required.

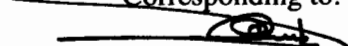
We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A review of interim financial statements consists principally of applying analytical procedures to financial data and making inquiries of 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

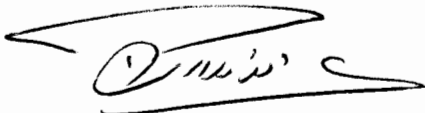
Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with Generally Accepted Accounting Standards.

Date: 20/1/1430

Corresponding to: 17/1/2009


Bakr A. Abulhair
License No. 101




Abdulqadir A. Al-Wohaib
License No. 48



DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

RIYADH – KINGDOM OF SAUDI ARABIA
INTERIM CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008
(UNAUDITED)

EXHIBIT A

	<u>Note</u>	<u>2008</u> <u>SR.</u>	<u>2007</u> <u>SR.</u>
ASSETS			
Current Assets			
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
Total current assets		<u>4,727,598,500</u>	<u>7,906,218,704</u>
Non-Current Assets			
Projects in progress - Long-term	(8)	6,772,765,263	6,347,696,173
Investments in lands	(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
Total Non-Current Assets		<u>15,436,381,634</u>	<u>10,468,108,623</u>
TOTAL ASSETS		<u>20,163,980,134</u>	<u>18,374,327,327</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
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
Total current liabilities		<u>2,419,593,785</u>	<u>1,369,601,870</u>
Non-Current Liabilities			
Islamic Sukuk	(15)	6,000,000,000	6,000,000,000
Provision for end-of-service indemnities	(16)	7,888,971	4,475,307
Total Non-Current Liabilities		<u>6,007,888,971</u>	<u>6,004,475,307</u>
Shareholders' Equity			
Capital	(17)	7,200,000,000	5,400,000,000
Statutory reserve	(18)	3,600,000,000	3,242,253,763
Retained earnings		936,497,378	2,357,996,387
Total shareholders' equity - Exhibit C		<u>11,736,497,378</u>	<u>11,000,250,150</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>20,163,980,134</u>	<u>18,374,327,327</u>

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY
RIYADH – KINGDOM OF SAUDI ARABIA

**INTERIM CONSOLIDATED STATEMENT OF INCOME FOR THE THREE MONTHS PERIOD
AND YEAR ENDED 31 DECEMBER 2008
(UNAUDITED)**

EXHIBIT B

	Note	For the three months period ended December 31,		For the year ended December 31,	
		2008	2007	2008	2007
		SR.	SR.	SR.	SR.
Revenue		1,259,201,766	1,330,039,490	5,610,767,945	4,925,932,752
Cost of revenue		(696,071,712)	(702,171,140)	(2,765,586,774)	(2,517,924,572)
Gross profit	(19)	563,130,054	627,868,350	2,845,181,171	2,408,008,180
Operating expenses:					
Sales and Marketing expenses		(14,688,585)	(22,301,590)	(52,675,432)	(39,085,943)
General and administrative expenses		(36,820,781)	(20,893,641)	(96,956,707)	(43,768,855)
Other parties' share in profits from investments		-	(5,331,722)	(1,220,961)	(12,591,077)
Depreciation of property and equipment		(5,252,803)	(6,972,783)	(22,252,460)	(18,440,619)
Amortization of deferred charges		(8,049,741)	(10,939,775)	(27,671,346)	(24,026,567)
Net income for the period / year from operating activities		498,318,144	561,428,839	2,644,404,265	2,270,095,119
Other Income / (expenses) :					
Islamic Murabaha charges , net		(12,788,155)	43,619,927	(48,240,840)	(6,156,444)
Islamic Sukuk Charges	(8)	(43,844,770)	(159,098,149)	(196,387,446)	(271,922,708)
Other income		3,001,965	5,007,992	16,894,249	45,149,464
Net income for the period / year before Zakat		444,687,184	450,958,609	2,416,670,228	2,037,165,431
Zakat provision		(11,510,000)	(28,591,082)	(60,423,000)	(28,591,082)
Net income for the period / year - Exhibit C		433,177,184	422,367,527	2,356,247,228	2,008,574,349
Earning per share	(20)	0.60	0.59	3.27	2.79

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

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

RIYADH – KINGDOM OF SAUDI ARABIA

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

EXHIBIT C

	<u>Capital</u>	<u>Statutory Reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
	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 – Exhibit B	-	-	2,008,574,349	2,008,574,349
Total Shareholders' Equity as of 31 December 2007	5,400,000,000	3,242,253,763	2,357,996,387	11,000,250,150
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 – Exhibit B	-	-	2,356,247,228	2,356,247,228
Total Shareholders Equity as of 31 December 2008- Exhibit "A"	7,200,000,000	3,600,000,000	936,497,378	11,736,497,378

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

RIYADH – KINGDOM OF SAUDI ARABIA

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE
YEAR ENDED 31 DECEMBER 2008
(UNAUDITED)

EXHIBIT D

	2008	2007
	SR.	SR.
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before zakat	2,416,670,228	2,037,165,431
Adjustment for:		
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
Zakat provision	60,423,000	28,591,082
Changes in operating assets and liabilities		
(Increase) in accounts receivable	(465,086,160)	(3,279,827)
(Increase) in prepaid expenses and others	(354,543,435)	(1,087,897,055)
Decrease in developed lands – short-term	430,787,179	1,979,396,076
Decrease in projects in progress – short-term	983,892,370	5,803,775,413
Increase in accounts payable	63,487,766	28,010,261
Related party transactions – net	(53,465,506)	(1,981,634)
(Decrease) / Increase in accrued expenses and others	(345,064,728)	232,603,246
End-of- service indemnities paid	(167,009)	(201,647)
Zakat paid	(24,277,123)	-
<i>Net cash from operating activities</i>	<u>2,766,161,061</u>	<u>9,060,550,594</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
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)
<i>Net cash used in investing activities</i>	<u>(4,970,594,094)</u>	<u>(10,128,207,708)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
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)
<i>Net cash (used in) / from financing activities</i>	<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
CASH AND CASH EQUIVALENTS, END OF THE YEAR – EXHIBIT A	<u>716,474,665</u>	<u>3,346,864,936</u>

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

RIYADH – KINGDOM OF SAUDI ARABIA

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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).

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 COMMERCIAL 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 interim consolidated financial statements include the assets, liabilities and the results of operations of the commercial registrations mentioned above only.

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

RIYADH – KINGDOM OF SAUDI ARABIA

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

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 2007 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:

Company	Establishment Country	Ownership 2008	Main Activity
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

Accounting Convention

These interim 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 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).

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

RIYADH – KINGDOM OF SAUDI ARABIA

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

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.

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.

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.

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

RIYADH – KINGDOM OF SAUDI ARABIA

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

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.

Administrative, General, Selling and Marketing Expenses

Administrative, general, 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 statement of income of the same period.

3- CASH AND CASH EQUIVALENTS

	<u>2008</u>	<u>2007</u>
	SR.	SR.
	(Unaudited)	(Audited)
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
Total – Exhibit A	<u>716,474,665</u>	<u>3,346,864,936</u>

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

RIYADH – KINGDOM OF SAUDI ARABIA

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)**

4- ACCOUNTS RECEIVABLE, NET

	2008	2007
	SR.	SR.
	(Unaudited)	(Audited)
Customers	953,125,655	488,039,495
Provision for doubtful debts	(4,478,528)	(4,478,528)
Accounts receivable, net – Exhibit A	948,647,127	483,560,967

5- INVESTMENTS:

Short-Term investments

These investments represent the Company's share in financing investments in projects of other companies according to authenticated 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-tem".

Investments in lands

This item represents the Company's co-ownership in lands with third parties according to authenticated contracts for long-term earnings upon sale or investment.

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 and 2007.

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

RIYADH – KINGDOM OF SAUDI ARABIA

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)**

6- PREPAID EXPENSES AND OTHERS

	2008	2007
	SR.	SR.
	(Unaudited)	(Audited)
Prepaid expenses	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
Other receivables	254,460,000	2,076,549
Total – Exhibit A	1,736,634,991	1,382,091,556

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:

	2008	2007
	SR.	SR.
	(Unaudited)	(Audited)
Kingdom Installment Company	-	3,576,494
Saudi Home Loans Company (SHL)	57,042,000	-
Total – Exhibit A	57,042,000	3,576,494

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

RIYADH – KINGDOM OF SAUDI ARABIA

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

8- PROJECTS IN PROGRESS

Projects in progress – short-term

	2008	2007
	SR.	SR.
	(Unaudited)	(Audited)
Residential and Commercial Developments	988,841,009	727,108,988
Lands	159,358,708	1,404,983,099
Total – Exhibit A	1,148,199,717	2,132,092,087

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:

	2008	2007
	SR.	SR.
	(Unaudited)	(Audited)
Residential and Commercial Developments	3,205,958,881	2,691,685,247
Lands	3,566,806,382	3,656,010,926
Total – Exhibit A	6,772,765,263	6,347,696,173

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 fourth quarter of 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 interim 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

10- PROPERTY AND EQUIPMENT, NET

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

	Buildings		Vehicles		Furniture & Fixtures		Electrical Appliances		Leasehold Improvements		Prefabricated houses		Tools		Signboards		Total	
	SR.	Unaudited	SR.	Unaudited	SR.	Unaudited	SR.	Unaudited	SR.	Unaudited	SR.	Unaudited	SR.	Unaudited	SR.	Unaudited	SR.	Unaudited
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)								
Balance at 31/12/2008	109,145,850	11,965,536	11,965,536	21,449,907	16,763,797	12,624,428	8,719,208	5,423,216	6,001,648	192,093,590								
Accumulated Depreciation																		
Balance at 1/1/2008	11,554,248	7,165,421	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	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)								
Balance at 31/12/2008	14,225,081	9,317,060	9,317,060	13,519,277	10,785,952	8,435,435	7,860,858	3,469,261	4,690,758	72,303,682								
Net book value 31/12/2008 - Exhibit A	94,920,769	2,648,476	2,648,476	7,930,630	5,977,845	4,188,993	858,350	1,953,955	1,310,890	119,789,908								
Net book value 31/12/2007 - Exhibit A	122,591,602	4,459,947	4,459,947	11,304,827	8,249,921	6,676,819	3,103,485	2,310,613	1,899,052	160,596,266								

- Tools disposed off during the period were added at the end of 2007 and returned to the supplier at the beginning of the current year 2008.

- 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

RIYADH – KINGDOM OF SAUDI ARABIA

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

11- DEFERRED CHARGES, NET

	2008	2007
	SR.	SR.
	(Unaudited)	(Audited)
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	(27,671,346)	(24,026,567)
Deferred charges, net, end of the year- Exhibit A	126,870,915	113,585,023

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

	2008	2007
	SR.	SR.
	(Unaudited)	(Audited)
Contractors	164,610,975	98,675,715
Suppliers	6,596,184	5,991,278
Projects' Shareholders	-	3,052,400
Total – Exhibit A	171,207,159	107,719,393

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
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RIYADH – KINGDOM OF SAUDI ARABIA

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

14- ACCRUED EXPENSES AND OTHERS

	2008	2007
	SR.	SR.
	(Unaudited)	(Audited)
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	510,074,430	473,928,553
Advances from customers	-	288,869,010
Other credit balances	9,389,322	2,648,860
Total – Exhibit A	613,386,626	861,882,477

15- 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 these lands upon the repayment of the full amount of the Sukuk. The Company has issued a corporate guarantee to the Sukuk holders.

16- PROVISION FOR END-OF-SERVICE BENEFITS

	2008	2007
	SR.	SR.
	(Unaudited)	(Audited)
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)
Balance, end of the year – Exhibit A	7,888,971	4,475,307

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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17- 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 5,400,000,000 to SR 7,200,000,000 by issuing 180,000,000 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.

18- 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 can stop 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 who were recorded in the shareholders register as of the date of General Assembly meeting.

19- GROSS PROFIT

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

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)**

20- 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 periods.

21- INTERIM RESULTS

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

22- COMPARATIVE FIGURES

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