IMPORTANT NOTICE

THIS OFFERING MEMORANDUM IS AVAILABLE ONLY TO (1) QUALIFIED INSTITUTIONAL BUYERS THAT ARE ALSO QUALIFIED PURCHASERS, AS DEFINED BELOW OR (2) CERTAIN PERSONS OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum following this notice (the "**Offering Memorandum**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer, Dar Al-Arkan, the Joint Bookrunners and Joint Lead Managers (each as defined in the Offering Memorandum) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE SECURITIES DESCRIBED IN THE OFFERING MEMORANDUM IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE OFFER AND SALE OF THE SECURITIES DESCRIBED IN THE OFFERING MEMORANDUM HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**US SECURITIES ACT**") OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND SUCH SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAW. THE ISSUER IS NOT, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**US INVESTMENT COMPANY ACT**").

WITHIN THE UNITED KINGDOM, THE OFFERING MEMORANDUM MAY NOT BE PASSED ON EXCEPT TO INVESTMENT PROFESSIONALS OR OTHER PERSONS IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (AS AMENDED) DOES NOT APPLY TO THE ISSUER (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "**RELEVANT PERSONS**"). THE OFFERING MEMORANDUM MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THE OFFERING MEMORANDUM RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

THE OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE US SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your representation: In order to be eligible to view the Offering Memorandum or make an investment decision with respect to the securities, investors must be either: (1) Qualified Institutional Buyers ("**QIBs**") (within the meaning of Rule 144A under the US Securities Act) that are also qualified purchasers ("**QPs**"), as defined in Section 2(a)(51) of the US Investment Company Act; or (2) non-US persons within the meaning of Regulation S under the US Securities Act ("**Regulation S**") outside the United States. The Offering Memorandum is being sent at your request and by accepting the email and accessing the Offering Memorandum, you shall be deemed to have represented to the Issuer, Dar Al-Arkan, the Joint Bookrunners and Joint Lead Managers that: (1) you and any customers you represent are either: (a) QIBs that are also QPs; or (b) non-US persons within the meaning of Regulation S outside the United States; (2) unless you are a QIB that is also a QP, the electronic mail address that you gave us and to which this email has been delivered is not located in the United States; (3) you are a person who is permitted under applicable law and regulation to receive the Offering Memorandum; and (4) you consent to delivery of the Offering Memorandum by electronic transmission.

You are reminded that the Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the Offering Memorandum to any other person.

The Offering Memorandum and the materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering described therein be made by a licensed broker or dealer and the relevant Joint Lead Manager or any affiliate of the relevant Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the relevant Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction.

The Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, Dar Al-Arkan, Deutsche Bank Securities Inc., Goldman Sachs International or Unicorn Investment Bank B.S.C. nor any person who controls any of them nor any director, officer, employee or agent of them nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format herewith and the hard copy version available to you on request from the Issuer, Dar Al-Arkan, Deutsche Bank Securities Inc., Goldman Sachs International or Unicorn Investment Bank B.S.C. Please ensure that your copy is complete. You are responsible for protecting against viruses and other destructive items. Your use of this email is at your own risk, and it is your responsibility to take precautions to insure that it is free from viruses and other items of a destructive nature.

OFFERING MEMORANDUM

US$450,000,000 Certificates due 2015

DAR AL-ARKAN INTERNATIONAL SUKUK COMPANY II

(an exempted company incorporated in the Cayman Islands with limited liability)

The US$450,000,000 Certificates due 2015 (*Sukuk Al-Wakala*) (the "**Certificates**") of Dar Al-Arkan International Sukuk Company II (hereinafter referred to as the "**Issuer**" or the "**Trustee**") are being issued at an issue price of 99.058%.

The Certificates will be constituted by a declaration of trust (the "**Declaration of Trust**") to be dated the Closing Date (as defined in the terms and conditions of the Certificates in the section headed "*Terms and Conditions of the Certificates*" (the "**Conditions**")) and entered into by the Issuer, the Trustee, Dar Al-Arkan Real Estate Development Company ("**Dar Al-Arkan**") and Deutsche Trustee Company Limited as delegate of the Trustee (the "**Delegate**"). Pursuant to the Declaration of Trust, the proceeds of the sale of the Certificates will be applied by the Issuer (through Al-Arkan Sukuk Company in its capacity as investment manager (the "**Investment Manager**") in accordance with the terms of an investment management agreement to be dated the Closing Date and entered into between the Issuer and the Investment Manager (the "**Investment Management Agreement**")) to invest in a single portfolio of investments comprising Ijara Agreements and Murabaha Agreements entered into between the Investment Manager and Restricted Subsidiaries of Dar Al-Arkan (each as defined in the Conditions) (together with any such proceeds which have not been so invested, the "**Sukuk Portfolio**") in accordance with the Investment Plan (as defined in the Conditions). The Investment Plan includes a requirement for the Investment Manager to invest the proceeds from the Certificates into a Sukuk Portfolio which generates returns at least equal to the Periodic Distribution Amount (as defined in the Conditions) for a period which is equal to or greater than the remaining duration of the Certificates which are outstanding at the time of the relevant investment and a requirement to ensure satisfaction of certain conditions relating to the preservation of value of the Sukuk Portfolio (the "**Underlying Value Conditions**"). Pursuant to the Investment Management Agreement, the Investment Manager will be further obliged to ensure that a minimum amount corresponding to 51% of the face amount of the Certificates outstanding is invested in Ijara Agreements at all times, except: (i) during the initial period necessary for entering into the Ijara Agreements as set out in the Investment Management Agreement; (ii) during the period necessary for replacement of any expired or terminated Ijara Agreements in accordance with the Underlying Value Conditions; or (iii) during the period necessary for replacement of Ijara Agreements following the occurrence of a total loss in respect of the underlying Leased Assets in accordance with the terms of the relevant Service Agency Agreement (each as defined in the Conditions).

Pursuant to the Declaration of Trust, the Issuer will declare a trust over, *inter alia*, its rights, title, interest and benefit in, to and under the Sukuk Portfolio, and the Certificates will confer on the holders of Certificates from time to time (the "**Certificateholders**") the right to receive payments (as more particularly described herein) arising from the Sukuk Portfolio. Pursuant to a guarantee to be dated the Closing Date (the "**Guarantee**") granted by Dar Al-Arkan in favor of the Issuer and the Delegate (on behalf of the Certificateholders), Dar Al-Arkan will irrevocably undertake to pay to the Issuer (for the benefit of the Certificateholders) the Distribution Shortfall Restoration Amount, if any, and the Value Restoration Amount, if any, (each as defined in the Conditions) subject to certain conditions.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**UK Listing Authority**") for the Certificates to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Certificates to be admitted to trading on the London Stock Exchange's Regulated Market (the "**Market**"). References in this Offering Memorandum to the Certificates being "listed" (and all related references) shall mean that the Certificates have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

The Certificates are expected to be rated Ba2 by Moody's Investors Service Limited ("**Moody's**") and BB− by Standard & Poor's Rating Services ("**Standard & Poor's**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

An investment in the Certificates involves certain risks and uncertainties. See "*Risk Factors*" beginning on page 21.

The offer and sale of the Certificates has not been registered under the United States Securities Act of 1933, as amended (the "US Securities Act"), or the securities laws of any state of the United States and the Issuer is not, and will not be, registered under the United States Investment Company Act of 1940, as amended (the "US Investment Company Act"). Accordingly, the Certificates are being offered and sold in the United States in transactions exempt from or not subject to the registration requirements of the US Securities Act only to qualified institutional buyers ("QIBs"), as defined in Rule 144A under the US Securities Act ("Rule 144A"), that are also qualified purchasers ("QPs"), as defined in Section 2(a)(51) of the US Investment Company Act, and outside the United States to non-US persons, within the meaning of, and in accordance with, Regulation S under the US Securities Act ("Regulation S"). Prospective purchasers that are in the United States are hereby notified that the seller of the Certificates may be relying on the exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Certificates, see "*Subscription and Sale and Transfer and Selling Restrictions*".

The Certificates will be offered and sold in registered form in denominations of US$100,000 and integral multiples of US$1,000 in excess thereof. Certificates which are offered and sold in transactions outside the United States in reliance on Regulation S (the "**Unrestricted Certificates**") will be initially represented by beneficial interests in a global Certificate (the "**Unrestricted Global Certificate**"), in registered form, which will be registered in the name of a nominee of, and shall be deposited on the Closing Date with, a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). Certificates which are offered and sold in the United States (the "**Restricted Certificates**") will initially be represented by beneficial interests in one or more global Certificates (the "**Restricted Global Certificates**"), in registered form, which will be deposited on the Closing Date with a custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee of, The Depository Trust Company ("**DTC**"). Interests in Restricted Global Certificates will be subject to certain restrictions on transfer. See "*Subscription and Sale and Transfer and Selling Restrictions*". Beneficial interests in the Unrestricted Global Certificate and the Restricted Global Certificates (together the "**Global Certificates**") will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, Luxembourg (as applicable) and their direct or indirect participants. Except as described herein, definitive certificates for Certificates will not be issued in exchange for beneficial interests in the Global Certificates.

Joint Bookrunners and Joint Lead Managers

Deutsche Bank Securities **Goldman Sachs International** **Unicorn Investment Bank B.S.C.**

Shari'ah Advisor

Unicorn Investment Bank B.S.C.

The date of this Offering Memorandum is February 12, 2010

IMPORTANT NOTICE

This Offering Memorandum comprises a prospectus for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and for the purpose of giving information with regard to the Issuer and Dar Al-Arkan and its subsidiaries and affiliates taken as a whole (the "**Group**"), and the US$450,000,000 Certificates due 2015 (*Sukuk Al-Wakala*) (the "**Certificates**"), which according to the particular nature of the Issuer, Dar Al-Arkan, the Group and the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and Dar Al-Arkan. The Issuer and Dar Al-Arkan (the "**Responsible Persons**") accept responsibility for the information contained in this Offering Memorandum. To the best of the knowledge and belief of the Issuer and Dar Al-Arkan (each having taken all reasonable care to ensure that such is the case), the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

Certain information under the heading "*Book-Entry Clearance Systems*" has been extracted from information provided by the clearing systems referred to therein. Each of the Issuer and Dar Al-Arkan confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant clearing systems, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Offering Memorandum has been prepared on the basis that any offer of Certificates in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Certificates. Accordingly, any person making or intending to make an offer in that Relevant Member State of Certificates which are the subject of the offering contemplated in this Offering Memorandum may only do so in circumstances in which no obligation arises for the Issuer or any of the Joint Bookrunners and Joint Lead Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer, Dar Al-Arkan nor the Joint Bookrunners and Joint Lead Managers have authorized, nor do they authorize, the making of any offer of Certificates in circumstances in which an obligation arises for the Issuer, Dar Al-Arkan or the Joint Bookrunners and Joint Lead Managers to publish or supplement a prospectus for such offer.

The offer and sale of the Certificates pursuant to this Offering Memorandum has not been registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States. As a consequence the Certificates may not be offered, sold, pledged or otherwise transferred except pursuant to a registration statement filed with the United States Securities and Exchange Commission pursuant to Section 5 of the US Securities Act, or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable state securities laws. Any representation to the contrary is a criminal offense in the United States. In addition, the Issuer is not registered under the US Investment Company Act. Accordingly, this Offering Memorandum is being provided: (i) in the United States, only to QIBs that are also QPs, in reliance on exemptions from the registration requirements of the US Securities Act; and (ii) outside the United States to non-US persons, within the meaning of, and in accordance with, Regulation S. See "*Subscription and Sale and Transfer and Selling Restrictions*".

THE CERTIFICATES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY OR APPROVED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer, Dar Al-Arkan or Deutsche Bank Securities Inc., Goldman Sachs International and Unicorn Investment Bank B.S.C. (together, the "**Joint Bookrunners and Joint Lead Managers**") to subscribe or purchase, any of the Certificates in any jurisdiction where the offer and sale is not permitted. The distribution of this Offering Memorandum and the offering of the Certificates in certain jurisdictions may be restricted by law. None of the Issuer, Dar Al-Arkan and the Joint Bookrunners and Joint Lead Managers represent that this Offering Memorandum may be lawfully distributed, or that any Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, Dar Al-Arkan or the Joint Bookrunners and Joint Lead Managers which is intended to permit a public offering of Certificates or distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Certificates may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Memorandum comes are required by the Issuer, Dar Al-Arkan and the Joint Bookrunners and Joint Lead Managers to inform themselves about and to observe any such restrictions. In particular, there are certain restrictions on the distribution of this Offering Memorandum and the offer, sale and transfer of the Certificates in the Cayman Islands, the Dubai International Finance Centre, Hong Kong, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, Malaysia, Singapore, the State of Brunei Darussalam, the State of Qatar, Switzerland, United Arab Emirates (excluding the Dubai International Finance Centre), the United Kingdom and the United States. For a more detailed description of restrictions on offers and sales of Certificates and distribution of this Offering Memorandum, see "*Subscription and Sale and Transfer and Selling Restrictions*".

No person is authorized to give any information or to make any representation not contained in this Offering Memorandum and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of the Issuer, Dar Al-Arkan or the Joint Bookrunners and Joint Lead Managers. Neither the delivery of this Offering Memorandum nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, Dar Al-Arkan or the Group since the date hereof or the date upon which this Offering Memorandum has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer, Dar Al-Arkan or the Group since the date hereof or the date upon which this Offering Memorandum has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Certificates is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Offering Memorandum nor any other information supplied in connection with the Certificates is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by the Issuer, Dar Al-Arkan or the Joint Bookrunners and Joint Lead Managers that any recipient of this Offering Memorandum should purchase any of the Certificates. Each investor contemplating purchasing any Certificates should make its own independent investigation of the financial condition and affairs, and its own appraisal of the credit worthiness of the Issuer, Dar Al-Arkan and the Group.

To the fullest extent permitted by law, the Joint Bookrunners and Joint Lead Managers accept no responsibility whatsoever for the contents of this Offering Memorandum or for any other statement, made or purported to be made by a Joint Bookrunner and Joint Lead Manager or on its behalf in connection with the Issuer, Dar Al-Arkan and the Group or the issue and offering of the Certificates. Each Joint Bookrunner and Joint Lead Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Memorandum or any such statement.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO TAX, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF THE CERTIFICATES.

US INFORMATION

Certificates may be offered or sold within the United States only to QIBs that are also QPs in transactions exempt from or not subject to the registration requirements of the US Securities Act. Each purchaser of Certificates in the United States is hereby notified that the offer and sale of any Certificates to it may be being made in reliance upon the exemption from the registration requirements of the US Securities Act provided by Rule 144A.

Each purchaser or holder of Certificates represented by a Restricted Global Certificate or any Certificates issued in registered form in exchange or substitution therefor (together "**Legended Notes**") will be required or deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements to restrict the resale or other transfer of such Certificates, as set out in "*Subscription and Sale and Transfer and Selling Restrictions*".

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (THE "**RSA**") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO UK RESIDENTS

The Certificates represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000 (the "**FSMA**")) which has not been authorized, recognized or otherwise approved by the Financial Services Authority. Accordingly, this Offering Memorandum is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The distribution in the United Kingdom of this Offering Memorandum and any other marketing materials relating to the Certificates: (A) if effected by a person who is not an authorized person under the FSMA, is being addressed to, or directed at, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**"); and (ii) persons falling within any of the categories of persons described in Article 49(2)(High net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (B) if effected by a person who is an authorized person under the FSMA, is being addressed to, or directed at, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the "**Promotion of CISs Order**"); (ii) persons falling within any of the categories of person described in Article 22(2)(a)–(d) (High net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order. Persons of any other description in the United Kingdom may not receive and should not act or rely on this Offering Memorandum or any other marketing materials in relation to the Certificates.

Potential investors in the United Kingdom are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

Any individual intending to invest in any investment described in this Offering Memorandum should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

KINGDOM OF SAUDI ARABIA NOTICE

This Offering Memorandum may not be distributed in the Kingdom of Saudi Arabia (the "**Kingdom**") except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom (the "**Capital Market Authority**").

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Offering Memorandum, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Offering Memorandum. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If a prospective purchaser does not understand the contents of this Offering Memorandum he or she should consult an authorized financial adviser.

By accepting this document and other information relating to the offering of the Certificates in the Kingdom, each recipient in the Kingdom represents that he is a "sophisticated investor", as set out in "*Subscription and Sale and Transfer and Selling Restrictions*".

NOTICE TO BAHRAIN RESIDENTS

The Central Bank of Bahrain and the Bahrain Stock Exchange assume no responsibility for the accuracy and completeness of the statements and information contained in this Offering Memorandum and expressly disclaim any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of this Offering Memorandum. Each potential investor resident in Bahrain intending to subscribe Certificates (each, a "**potential investor**") may be required to provide satisfactory evidence of identity and, if so required, the source of funds to purchase Certificates within a reasonable time period determined by the Trustee, Dar Al-Arkan and the relevant Joint Bookrunners and Joint Lead Managers. Pending the provision of such evidence, an application to subscribe for Certificates will be postponed. If a potential investor fails to provide satisfactory evidence within the time specified, or if a potential investor provides evidence but none of the Trustee, Dar Al-Arkan or the relevant Joint Bookrunners and Joint Lead Managers are satisfied therewith, its application to subscribe for Certificates may be rejected in which event any money received by way of application will be returned to the potential investor (without any additional amount added thereto and at the risk and expense of such potential investor). In respect of any potential investors, the Trustee and Dar Al-Arkan will comply with Bahrain's Legislative Decree No. (4) of 2001 with respect to Prohibition and Combating of Money Laundering and various Ministerial Orders issued thereunder including, but not limited to, Ministerial Order No. (7) of 2001 with respect to Institutions' Obligations Concerning the Prohibition and Combating of Money Laundering.

CAYMAN ISLANDS NOTICE

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the Certificates and this Offering Memorandum shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for the Certificates.

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

Pursuant to Internal Revenue Service Circular 230, the Issuer and Dar Al-Arkan hereby inform you that the description set forth herein with respect to US federal tax issues was not intended or written to be used, and such description cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on the taxpayer under the US Internal Revenue Code of 1986, as amended. Such description was written to support the promotion or marketing of the Certificates. Taxpayers should seek advice based on the taxpayer's particular circumstances from an independent advisor.

AVAILABLE INFORMATION

Neither the Issuer nor Dar Al-Arkan is required to file periodic reports under Sections 13 or 15 of the United States Securities Exchange Act of 1934, as amended (the "**US Exchange Act**"), nor is either of them exempt from such reporting pursuant to Rule 12g3-2(b) thereunder. To permit compliance with Rule 144A in connection with resale of the Certificates, each of the Issuer and Dar Al-Arkan has agreed in the Declaration of Trust to provide any holder of Certificates, or any prospective purchaser of Certificates, upon request, the information required to be provided by Rule 144A(d)(4), if at the time of the request, it is not a reporting company under Section 13 or Section 15(d) of the US Exchange Act, or is not exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

ENFORCING CIVIL LIABILITIES AGAINST NON-US PERSONS

Dar Al-Arkan is a joint stock company organized under the laws of the Kingdom. All of Dar Al-Arkan's directors and officers reside outside of the United States. In addition, all or substantially all of Dar Al-Arkan's assets are located outside of the United States. It may be impossible for holders of the Certificates to effect service of process within the United States on Dar Al-Arkan and its directors and officers or to enforce against Dar Al-Arkan or its directors and officers, in US courts, judgments obtained in US courts predicated upon the civil liability provisions of the federal securities laws of the United States. In addition, there is doubt as to the enforceability, in original actions in Saudi courts, of liabilities predicated in whole or in part on the US federal securities laws. See "*Risk Factors—Risks Relating to the*

Certificates—It may not be possible to enforce judgments obtained in the United States against Dar Al-Arkan and its directors and officers with respect to the Certificates".

INDUSTRY AND MARKET DATA

In this Offering Memorandum, certain information regarding the Kingdom, the Kingdom's real estate industry and other data regarding the market segment in which Dar Al-Arkan operates have been extracted or derived from data and analysis obtained from various publicly available third party sources and materials, each of which is identified in this Offering Memorandum. Such information may be approximations or estimates or use rounded numbers. In addition, in some cases, rounding adjustments have been made to some of this information for the consistency of presentation. Some data has been based on Dar Al-Arkan's estimates, which has been derived from a review of internal surveys, as well as independent surveys. Such information, sources, and estimates are believed to be reliable, but have not been independently verified by the Issuer or Dar Al-Arkan, the directors and officers of the Issuer or Dar Al-Arkan or any of their respective advisers and no representation is made with respect to their accuracy or completeness. However, the Issuer and Dar Al-Arkan confirm that such information has been accurately reproduced in this Offering Memorandum and that as far as the directors and officers of the Issuer and Dar Al-Arkan are aware and able to ascertain from such information, no facts have been omitted which render the reproduced information inaccurate or misleading.

In addition, statements are made in this Offering Memorandum regarding Dar Al-Arkan's competitive position in its industry based on the experience of Dar Al-Arkan's management and their assessment of market conditions. While the directors and officers of the Issuer and Dar Al-Arkan believe these statements to be reasonable and fair approximations, to the extent that such statements are in part derived from information contained in the third-party sources discussed above, these statements cannot and have not been verified by the directors and officers of the Issuer and Dar Al-Arkan, and independent sources have not verified such statements.

Industry and market data is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any survey of market size. None of the publications, reports or other published industry sources referred to in this Offering Memorandum were commissioned by the Issuer, Dar Al-Arkan, the Joint Bookrunners and Joint Lead Managers or prepared at their request and neither the Issuer, Dar Al-Arkan nor the Joint Bookrunners and Joint Lead Managers have sought or obtained the consent from any of these sources to include such market data in this Offering Memorandum.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The consolidated financial statements of Dar Al-Arkan as of and for the year ended December 31, 2009 (the "**2009 Audited Financial Statements**") and as of and for the year ended December 31, 2008 (the "**2008 Audited Financial Statements**" and together with the 2009 Audited Financial Statements, the "**2009 & 2008 Audited Financial Statements**"), audited by Deloitte & Touche Bakr Abulkhair & Co., and the consolidated financial statements of Dar Al-Arkan as of and for year ended December 31, 2007, audited by Talal Abu-Ghazaleh & Co. (the "**2007 Audited Financial Statements**", and together with the 2009 & 2008 Audited Financial Statements, the "**Audited Financial Statements**") have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). The Audited Financial Statements are included herein.

Presentations of certain financial information as of and for the year ended December 31, 2007 included for comparative purposes with the 2008 Audited Financial Statements differ from the presentations in the 2007 Audited Financial Statements, due to adjustments made to certain items to conform to the presentation in the 2009 & 2008 Audited Financial Statements. In addition, the presentation of certain financial information as of and for the year ended December 31, 2007 included in the body of this Offering Memorandum differ from the presentations in the 2007 Audited Financial Statements due to adjustments made to certain items to conform to the presentation in the 2009 & 2008 Audited Financial Statements. The material adjustments relate to the following: (i) the aggregation and reclassification of "projects in progress" and "developed lands" to "development properties" in the consolidated statement of financial position (excluding: (a) properties that will be retained as rental properties, which were reclassified as "investment properties", and (b) prepayments for land purchases that had not yet been completed, which were reclassified as "trade receivables and other") and the restatement of related cash flows in the consolidated statement of cash flows from "net cash flows used in investing activities" to "net cash flows used in operating activities", and (ii) the aggregation and reclassification of "participation expenses", "amortization of deferred charges", "islamic murabaha, net" and "amortization of deffered charges" to "finance costs" in the consolidated statement of income.

The financial information as of and for the year ended December 31, 2007 included in the 2008 Audited Financial Statements has been presented for comparative purposes only, and was not subject to the audit report accompanying the 2008 Audited Financial Statements. In addition, the adjusted financial information as of and for the year ended December 31, 2007 included with the 2008 Audited Financial Statements and in the body of this Offering Memorandum, has been presented for comparative purposes only, was not subject to the audit report accompanying the 2007 Audited Financial Statements, and is therefore unaudited.

Dar Al-Arkan also adopted certain new accounting standards during 2008 which are reflected in the 2009 & 2008 Audited Financial Statements but are not reflected in the 2007 Audited Financial Statements. The impact of the adoption of these new accounting standards during 2008 is discussed in Note 2 of the notes to the 2008 Audited Financial Statements.

In this Offering Memorandum, unless otherwise specified, references to "**SAR**", "**Saudi Riyal**" and "**Riyal**" are to the lawful currency of the Kingdom and references to "**US$**" and "**US Dollar**" are to the lawful currency of the United States of America.

The Kingdom follows a fixed exchange rate policy under which the Saudi Riyal is pegged to the US Dollar at the exchange rate of US$1 = SAR3.745.

Certain figures included in this Offering Memorandum have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

FORWARD LOOKING STATEMENTS

Certain statements in this Offering Memorandum constitute "forward looking statements". Such statements can generally be identified by their use of forward looking words such as "plans", "estimates", "believes", "expects", "may", "will", "should", "are expected", "would be", "anticipates" or the negative or other variations of such terms or comparable terminology. These forward looking statements reflect the current views of Dar Al-Arkan with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of Dar Al-Arkan to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward looking statements. Some of these factors that could have such an effect are described in more detail in other sections of this Offering Memorandum, see "*Risk Factors*". Should any one or more of the risks or uncertainties materialize or any underlying assumptions on which a forward looking statement is based prove to be inaccurate or incorrect, actual results may vary materially from those described in this Offering Memorandum, as anticipated, believed, estimated, planned or expected.

The information contained in this Offering Memorandum is subject to change. In particular, the actual financial state of Dar Al-Arkan and the value of the Certificates may be adversely affected by future developments in inflation, financing charges, taxation, calculation of zakat or other economic, political and other factors, over which the Issuer and Dar Al-Arkan have no control. Neither the Issuer, Dar Al-Arkan, the Joint Bookrunners and Joint Lead Managers nor the directors of Dar Al-Arkan intend to update or otherwise revise any information or forward looking statements in this Offering Memorandum, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward looking events and circumstances discussed in this Offering Memorandum might not occur in the way it is expected, or at all. Prospective investors should consider all forward looking statements in light of these explanations and should not place undue reliance on forward looking statements. Neither the delivery of this Offering Memorandum nor any oral, written or printed interaction in relation to the Certificates is intended to be, or should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

STABILIZATION

In connection with the issue of the Certificates, the Joint Lead Managers (the "**Stabilizing Manager(s)**") (or any person acting on behalf of any Stabilizing Manager(s)) may over-allot Certificates or effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or any person acting on behalf of any Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Certificates is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Certificates and 60 days after the date of the allotment of the Certificates. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or any person acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws and rules.

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OVERVIEW

The following summary information does not purport to be complete and should be read as an introduction to, and in conjunction with, the more detailed information appearing elsewhere in this Offering Memorandum from which it is derived. Any decision by a prospective investor to invest in the Certificates should be based on a consideration of this Offering Memorandum as a whole. Prospective investors should carefully read the entire document, including the Audited Financial Statements and related notes, before making an investment decision. In particular, prospective investors should consider carefully the factors set forth under the heading "Risk Factors".

Business

Dar Al-Arkan Real Estate Development Company ("**Dar Al-Arkan**") is a leading real estate developer in the Kingdom of Saudi Arabia (the "**Kingdom**"). Dar Al-Arkan is involved in all major aspects of real estate development, including sourcing and purchasing land, overseeing design and construction and marketing and sales.

Dar Al-Arkan's operations are focused principally on the development of basic infrastructure on undeveloped land and the sale of such land ("**Land Projects**") and the development of residential and commercial projects and the sale of residential units on such projects ("**Residential and Commercial Projects**"). For the years ended December 31, 2009 and 2008, revenues from Land Projects were SAR4.9 billion (US$1.3 billion) and SAR4.6 billion (US$1.2 billion), respectively, which accounted for 90.5% and 82.3%, respectively, of Dar Al-Arkan's total revenues. For the years ended December 31, 2009 and 2008, Residential and Commercial Projects revenues were SAR519 million (US$138 million) and SAR990 million (US$264 million), respectively, which accounted for 9.5%, and 17.7%, respectively, of Dar Al-Arkan's total revenues.

In 2006, Dar Al-Arkan significantly increased the scope of its Residential and Commercial Projects when it began development of the Al-Qasr project, its first master-planned integrated residential community ("**Master-Planned Community**"). Management expects Dar Al-Arkan's Residential and Commercial Projects to be increasingly Master-Planned Communities and for the proportion of Dar Al-Arkan's total revenues derived from Residential and Commercial Projects to increase over time.

Dar Al-Arkan operates in three business segments, Project Development (Land Projects and Residential and Commercial Projects), Property Management and Real Estate Development Related Investments.

Land Projects

Dar Al-Arkan's Land Projects involve purchasing undeveloped land and planning and developing basic infrastructure for residential and commercial use. Dar Al-Arkan either sells developed land to third party investors or developers, develops a Residential and Commercial Project on the developed land, or develops a Residential and Commercial Project on a portion of the developed land and retains the remaining portion to sell once its value has appreciated due to the completion of the Residential and Commercial Project.

From January 1, 2004 to December 31, 2009, Dar Al-Arkan developed and sold Land Projects consisting of 29.9 million square meters of land.

In October 2008, the Qasr Khozam Land Project in Jeddah was announced. The Qasr Khozam project is being developed pursuant to an agreement between Dar Al-Arkan and the Jeddah Development and Urban Regeneration Company, an instrumentality of the municipal government of Jeddah. Dar Al-Arkan's total estimated cost for the Qasr Khozam Land Project is SAR10.0 billion (US$2.7 billion). For further discussion of the Qasr Khozam project, see "*Business—Dar Al-Arkan's Current Projects—Land Projects*".

As of December 31, 2009, Dar Al-Arkan's land bank consisted of SAR8.9 billion (US$2.4 billion) of undeveloped land and SAR4.5 billion (US$1.2 billion) of developed land, all of which was valued on its balance sheet at cost. Management continuously reviews Dar Al-Arkan's inventory of undeveloped land and sells those plots that it considers non-core to Dar Al-Arkan's real estate development operations. For further discussion of Dar Al-Arkan's current land bank, see "*Business—Dar Al-Arkan's Current Projects—Land Bank*".

Residential and Commercial Projects

Dar Al-Arkan's Residential and Commercial Projects are targeted towards the middle-income segment of the population in the Kingdom. Historically, these projects related primarily to the development and sale of residential units. However, in 2006, Dar Al-Arkan significantly increased the scope of its Residential and Commercial Projects when it began development of the Al-Qasr project, its first Master-Planned Community. In addition to various types of residential villas and apartments, Dar Al-Arkan's Master Planned Communities include commercial facilities (*e.g.*, shopping centers and restaurants), public service facilities (*e.g.*, parks, mosques and schools) and office buildings. Management believes that Al-Qasr is the first large scale project of its type targeted to the middle-income segment of the population in the Kingdom. Going forward, management expects Dar Al-Arkan's Residential and Commercial Projects to increasingly be Master-Planned Communities.

From January 1, 2004 to December 31, 2009, Dar Al-Arkan completed and delivered approximately 9,000 residential units.

As of December 31, 2009, Dar Al-Arkan had three Residential and Commercial Projects under development. Two of these projects are Master-Planned Communities located in Riyadh, Al-Qasr and Shams Ar Riyadh. The other Residential and Commercial Project, Al Tilal, is located in Medinah. These three projects have a total estimated cost of SAR8.9 billion (US$2.4 billion), cover approximately eight million square meters of land and are expected to include approximately 6,000 residential units. For further discussion of these projects, see "*Business—Dar Al-Arkan's Current Projects—Residential and Commercial Projects under Development*".

In October 2009, Dar Al-Arkan announced its intention to develop the Shams Al-Arous Master-Planned Community in Jeddah. Construction of the project is expected to begin at the end of 2010. The project has a total estimated cost of SAR7.5 billion (US$2.0 billion), is expected to cover approximately 3 million square meters of land and is expected to include more than 10,000 residential units. For further discussion of this project, see "*Business—Dar Al-Arkan's Current Projects—Recently Announced Residential and Commercial Project*".

Property Management

Dar Al-Arkan has begun to expand its business to include property management by retaining as rental properties certain commercial and residential units on its Master-Planned Communities. By retaining such units, management intends to create an income generating portfolio of rental properties with a goal of establishing a more steady revenue stream and to enable Dar Al-Arkan to benefit from any potential appreciation in the value of such properties. As of December 31, 2009, no significant revenues had been generated from property management operations. Management expects Dar Al-Arkan to begin generating revenues from the leasing of commercial space on the ground levels of apartment buildings and certain apartments on the Al-Qasr Master-Planned Community during 2010. In addition, the office building and commercial mall currently being constructed on the Al-Qasr project are expected to begin generating leasing revenues in 2010 and 2011, respectively. Management also intends to retain as rental properties certain commercial units that will be constructed on the Shams Ar Riyadh Master-Planned Community and certain commercial and residential units that will be constructed on the Shams Al-Arous Master-Planned Community.

As of December 31, 2009, Dar Al-Arkan had invested a total of SAR1.7 billion (US$486 million) out of a total estimated cost of SAR2.2 billion (US$587 million) in the rental properties on the Al-Qasr Master-Planned Community. For further discussion of rental properties on Dar Al-Arkan's projects, see "*Business—Dar Al-Arkan's Current Projects—Residential and Commercial Projects under Development*".

Real Estate Development Related Investments

Dar Al-Arkan makes strategic minority investments in companies that management believes are complementary to Dar Al-Arkan's real estate development operations. Companies in which Dar Al-Arkan has made strategic minority investments include Saudi Home Loans Company, which provides home financing in the Kingdom, and Unicorn Capital Saudi Arabia, which provides investment banking and other financial services in the Kingdom.

As of December 31, 2009, Dar Al-Arkan had made strategic minority investments in companies that ranged between 15% and 34%, and totaled SAR1.2 billion (US$320 million).

Competitive Strengths

Management believes Dar Al-Arkan has a number of competitive strengths that position it as a leader in the Kingdom's real estate development industry, including:

Ability to develop large scale projects in the Kingdom such as Master Planned Communities

Management believes Dar Al-Arkan is the only Saudi Arabian real estate developer with the financial resources, capacity and expertise (both in-house and through its strategic alliances) to undertake and execute large scale residential and commercial projects in the Kingdom. In addition, management believes Dar Al-Arkan's experience in developing projects in the Kingdom allows Dar Al-Arkan to obtain required regulatory approvals efficiently. Management believes that the economies of scale afforded by large scale projects such as Master-Planned Communities permits Dar Al-Arkan to offer quality housing at more affordable prices than its competitors. Management also believes that affordable prices combined with the quality and convenience of life provided by Dar Al-Arkan's Master-Planned Communities, provides Dar Al-Arkan an advantage over its competitors in addressing the demand for housing among the middle-income segment of the Kingdom's housing market.

Strong reputation in the Kingdom for delivering quality affordable housing

Management believes Dar Al-Arkan was the first private real estate developer of its size to target the middle-income segment of the Kingdom's housing market on a large scale, and that Dar Al-Arkan has a strong reputation among the middle-income segment of the housing market as a company that consistently delivers quality homes at affordable prices. From January 1, 2004 to December 31, 2009, Dar Al-Arkan completed and delivered approximately 9,000 residential units. In addition, management believes that Dar Al-Arkan's reputation in the Kingdom among land owners and real estate brokers provides Dar Al-Arkan with opportunities to acquire land that may not be available to other real estate developers in the Kingdom. Management believes Dar Al-Arkan's reputation among customers, land owners and real estate brokers provides Dar Al-Arkan an advantage over its competitors in addressing the demand for housing among the middle-income segment of the Kingdom's housing market.

Substantial land bank consisting of developed and undeveloped plots

Dar Al-Arkan has a substantial land bank consisting of developed and undeveloped plots. Management believes that Dar Al-Arkan's land bank allows it to take advantage of market opportunities to develop and sell projects with greater efficiency than competitors that need to source and acquire land to develop a project. As of December 31, 2009, Dar Al-Arkan's land bank consisted of SAR8.9 billion (US$2.4 billion) of undeveloped land and SAR4.5 billion (US$1.2 billion) of developed land, all of which was valued on its balance sheet at cost.

Experienced management team

Dar Al-Arkan's senior management has significant experience in both the real estate development industry and their respective areas of specialty. Dar Al-Arkan's Managing Director, Abdullatif Abdullah Al Shalash, has been with Dar Al-Arkan since the company was founded in 1994. Dar Al-Arkan's General Manager, Saud Abdulaziz Al Gusaiyer, has been with Dar Al-Arkan since 2004 and had 20 years of experience in the real estate development industry in the Kingdom before joining Dar Al-Arkan. Pascal Azzam, Dar Al-Arkan's Development and Construction Manager, has 30 years of experience in the field of construction and project management in the Kingdom and the Middle East. Dar Al-Arkan's Chief Financial Officer, Benoit Bellerose, and its Sales and Marketing Manager, Phillip Perkins, have 20 and 15 years of experience in finance and sales and marketing, respectively. In addition, Dar Al-Arkan is highly selective in recruiting human resources both internationally and within the Kingdom.

Access to the international and domestic capital markets

The real estate development industry is by its nature capital intensive. In addition, "off-plan" and "pre-finished" sales of homes are not common practices in the Kingdom, which makes access to financing even more essential in the Kingdom's real estate development industry. In the past three years, Dar Al-Arkan raised funds in three offerings of Sukuk, two international offerings in 2007 for US$600 million and US$1 billion, and one domestic offering in May 2009 for SAR750 million (US$200 million). These international and domestic offerings are the only Sukuk offerings to date by a real estate developer in the

Kingdom. In addition, in December 2007, Dar Al-Arkan listed its shares on the Saudi Stock Exchange (Tadawul).

Business Strategy

Dar Al-Arkan's strategy is to maintain its leadership position in the real estate development industry in the Kingdom by focusing on its core competencies, Land Projects and Residential and Commercial Projects, and by expanding its business operations to include property management. The following is a summary of key aspects of Dar Al-Arkan's business strategy:

Increase revenues from Residential and Commercial Projects

In 2006, Dar Al-Arkan significantly increased the scope of its Residential and Commercial Projects when it began development of the Al-Qasr project, its first Master-Planned Community. Increasing the scope of Residential and Commercial Projects will allow Dar Al-Arkan to benefit from revenues generated by developing and selling significant numbers of residential units, as opposed to the more limited amount of revenues derived from developing infrastructure on undeveloped land and selling the land to third party investors and developers. Management expects Dar Al-Arkan's Residential and Commercial Projects to increasingly be Master-Planned Communities and for the proportion of Dar Al-Arkan's revenues derived from Residential and Commercial Projects to increase over time.

Continue to provide affordable quality housing

Demographic trends in the Kingdom, including a young and growing population and decreasing average household sizes, are expected to create a need in the Kingdom for approximately 1.1 million new homes between 2010 and 2014, according the Saudi Arabian Ministry of Economy and Planning. In addition, the middle class in the Kingdom is expected to grow due to government initiatives such as the establishment of new universities and regulations that require companies in the Kingdom to employ a certain number of citizens of the Kingdom. Management believes Dar Al-Arkan was the first private real estate developer of its size to target the middle-income segment of the Kingdom's housing market on a large scale. From January 1, 2004 to December 31, 2009, Dar Al-Arkan completed and delivered approximately 9,000 residential units. Dar Al-Arkan intends to continue to focus its Residential and Commercial projects on addressing demand for housing among the middle-income segment of the market, in particular through the development of its Master-Planned Communities.

Focus on the development of Master-Planned Communities

In 2006, Dar Al-Arkan began development of the Al-Qasr project in Riyadh, its first Master-Planned Community. Management believes that Al-Qasr is the first large scale project of its type targeted to the middle-income segment of the population in the Kingdom. In addition to Al-Qasr, Dar Al-Arkan is also currently developing the Shams Ar Riyadh Master-Planned Community in Riyadh. And in October 2009, Dar Al-Arkan announced its intention to develop the Shams Al-Arous Master-Planned Community in Jeddah. Management expects Dar Al-Arkan's Residential and Commercial Projects to continue to be increasingly Master-Planned Communities. Management believes that affordable prices combined with the quality and convenience of life provided by Master-Planned Communities will allow Dar Al-Arkan to address the demand for quality affordable housing among the middle-income segment of the population.

Expand business through property management services

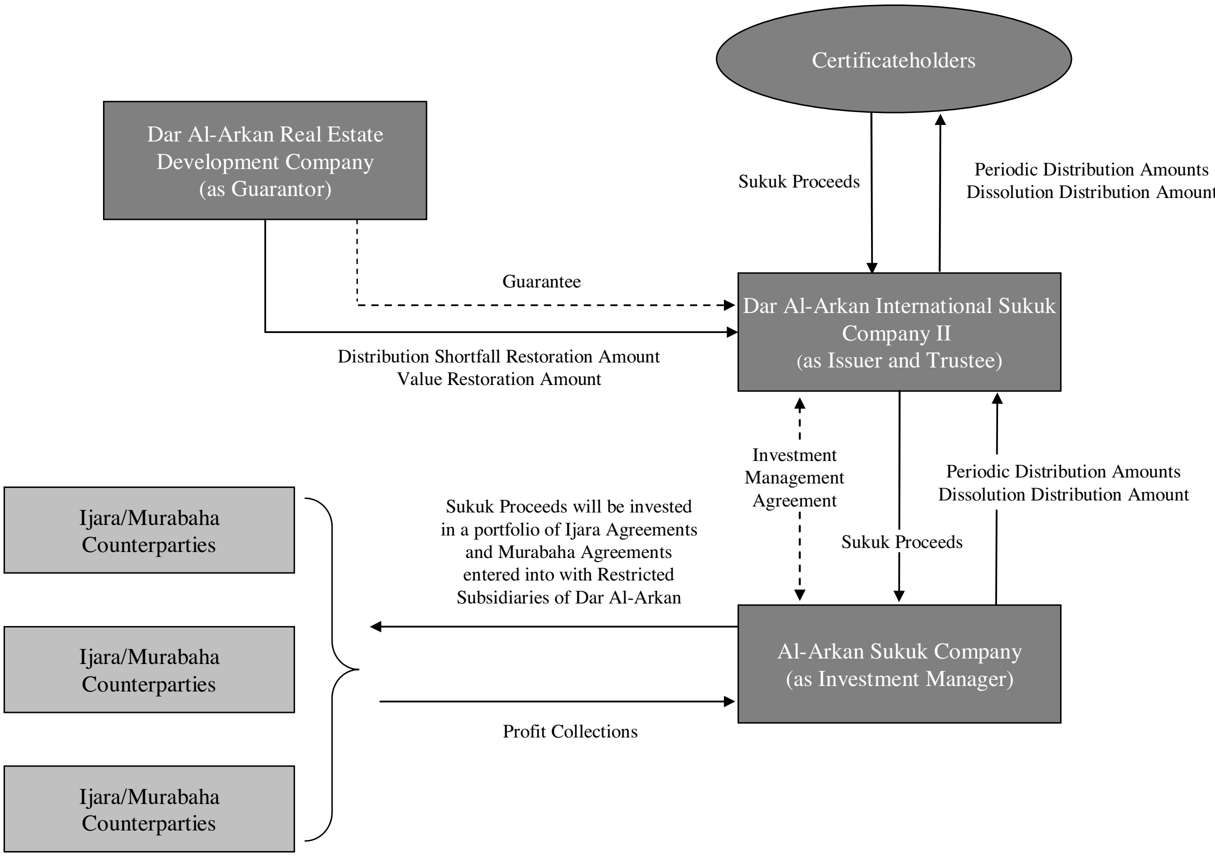
Dar Al-Arkan has begun to expand its business to include property management by retaining as rental properties certain commercial and residential units on its Master-Planned Communities. By retaining such units, management intends to create an income generating portfolio of rental properties with a goal of establishing a more steady revenue stream and to enable Dar Al-Arkan to benefit from any potential appreciation in the value of such properties. Management expects Dar Al-Arkan to begin generating revenues from the leasing of commercial space on the ground levels of apartment buildings and certain apartments on the Al-Qasr Master-Planned Community during 2010. In addition, the office building and commercial mall currently being constructed on the Al-Qasr project are expected to begin generating leasing revenues in 2010 and 2011, respectively. Management also intends to retain as rental properties certain commercial units that will be constructed on the Shams Ar Riyadh Master-Planned Community and certain commercial and residential units that will be constructed on the Shams Al-Arous Master-Planned Community.

Continue to make strategic minority investments in businesses complementing real estate development operations

Dar Al-Arkan makes strategic minority investments in companies that management believes are complementary to Dar Al-Arkan's real estate development operations. Companies in which Dar Al-Arkan has made strategic minority investments include Saudi Home Loans Company, which provides home financing in the Kingdom, and Unicorn Capital Saudi Arabia, which provides investment banking and other financial services in the Kingdom. Management intends to continue to consider strategic minority investments in the future.

Structure Diagram and Cash Flows Relating to Certificates

The following is a simplified structure diagram and description of the principal cashflows relating to the Certificates. The sections of this Offering Memorandum entitled "Terms and Conditions of the Certificates" and "Summary of Principal Transaction Documents" contain a more detailed description of the structure and cashflows relating to the Certificates.



Cashflows

Payments on the Closing Date

Pursuant to an investment management agreement to be dated the Closing Date (the "**Investment Management Agreement**") between the Issuer and Al-Arkan Sukuk Company as investment manager (the "**Investment Manager**"), the proceeds of the sale of the Certificates (the "**Sukuk Proceeds**") will be applied by the Issuer through the Investment Manager to invest in a single portfolio of investments comprising Ijara Agreements and Murabaha Agreements entered into between the Investment Manager and Restricted Subsidiaries of Dar Al-Arkan (each as defined in the Conditions) (together with any Sukuk Proceeds which have not been so invested, the "**Sukuk Portfolio**") in accordance with the Investment Plan (as defined below). The Ijara Agreements are to be entered into substantially on the terms set out in the Investment Management Agreement and must be effective within two Business Days after the Closing Date. Furthermore, the Murabaha Agreements are to be entered into substantially on the terms set out in the Investment Management Agreement and must be effective within 30 days after the Closing Date. The Investment Management Agreement provides that a minimum amount corresponding to 51% of the face amount of the Certificates outstanding must be invested in Ijara Agreements at all times, except: (i) during the above initial period necessary for entering into the Ijara Agreements; (ii) during the period necessary for replacement of any expired or terminated Ijara Agreements in accordance with the Underlying Value Conditions; or (iii) during the period necessary for replacement of Ijara Agreements following the occurrence of a total loss in respect of the underlying Leased Assets in accordance with the terms of the relevant Service Agency Agreement.

The "**Investment Plan**" means the investment plan consisting of the following requirements for the Investment Manager: (i) to invest the Sukuk Proceeds into a portfolio of Sukuk Contracts which generates returns at least equal to the Periodic Distribution Amount for a period which is equal to or greater than the remaining duration of the Certificates which are outstanding at the time of the relevant investment; and (ii) to ensure satisfaction of the Underlying Value Conditions. The Investment Manager shall not be entitled to commingle its own assets with the Sukuk Portfolio. The Investment Manager is a limited liability company wholly-owned, directly and indirectly, by Dar Al-Arkan.

The Investment Management Agreement will commence on the Closing Date and will end on the later of: (i) the date falling two Business Days prior to the Maturity Date, any Dissolution Event Redemption Date or any Early Tax Redemption Date (each as defined in the Conditions); and (ii) the date on which the Sukuk Portfolio Liquidation Proceeds (as defined below) are paid by the Investment Manager to the Principal Paying Agent on behalf of the Issuer in accordance with the Investment Management Agreement for payment to the Certificateholders.

Payments on each Periodic Distribution Date

On the date falling two Business Days prior to each Periodic Distribution Date, the Investment Manager shall collect all sums due from the counterparties to the Ijara Agreements and Murabaha Agreements (the "**Profit Collections**") and pay such amounts to the Principal Paying Agent on behalf of the Issuer by depositing the same in the Transaction Account. The Principal Paying Agent will in turn apply such amounts to pay the Periodic Distribution Amount to the Certificateholders on the relevant Periodic Distribution Date.

To the extent that there is a shortfall between: (a) the Profit Collections deposited in the Transaction Account and available for distribution to the Certificateholders on a Periodic Distribution Date; and (b) the Periodic Distribution Amount scheduled for distribution on that date, and such shortfall arises from the negligence of or a failure by the Investment Manager to comply with its obligations under the Transaction Documents, including failure to satisfy the Underlying Value Conditions, but excluding any shortfall arising as a result of the fluctuation in value of the underlying real estate or commodities to which the Sukuk Contracts relate, Dar Al-Arkan, in its capacity as guarantor (the "**Guarantor**") shall make up that shortfall (the "**Distribution Shortfall Restoration Amount**") in accordance with the terms of a guarantee dated the Closing Date given by it in favor of the Issuer, the Trustee and the Delegate (the "**Guarantee**"), by paying the Distribution Shortfall Restoration Amount to the Principal Paying Agent on behalf of the Issuer for payment to the Certificateholders.

Payments on the Maturity Date, Dissolution Event Redemption Date or Early Tax Redemption Date

On the date falling two Business Days prior to the Maturity Date, a Dissolution Event Redemption Date or an Early Tax Redemption Date, the Investment Manager shall liquidate the Sukuk Portfolio in accordance with the Investment Management Agreement and pay the proceeds of such liquidation (the "**Sukuk Portfolio Liquidation Proceeds**") to the Principal Paying Agent by depositing the same in the Transaction Account. The Principal Paying Agent will in turn apply such amount to pay the Dissolution Distribution Amount to the Certificateholders on the Maturity Date, Dissolution Event Redemption Date or Early Tax Redemption Date, as the case may be. To the extent that there is a shortfall between the Sukuk Portfolio Liquidation Proceeds deposited in the Transaction Account and the Dissolution Distribution Amount payable on the Maturity Date, Dissolution Event Redemption Date or Early Tax Redemption Date, as the case may be, and such shortfall arises from the negligence of or a failure by the Investment Manager to comply with its obligations under the Transaction Documents, including failure to satisfy the Underlying Value Conditions, but excluding any shortfall arising as a result of the fluctuation in value of the underlying real estate or commodities to which the Sukuk Contracts relate, the Guarantor shall make up that shortfall (the "**Value Restoration Amount**") under the terms of the Guarantee by paying the Value Restoration Amount to the Principal Paying Agent on behalf of the Issuer for payment to the Certificateholders.

The Offering

The summary below describes the principal terms of the Certificates, the Guarantee and other Transaction Documents. The sections of this Offering Memorandum entitled "Terms and Conditions of the Certificates" and "Summary of Principal Transaction Documents" contain a more detailed description of the Certificates, the Guarantee and other Transaction Documents.

Parties

Issuer and Trustee:	Dar Al-Arkan International Sukuk Company II, an exempted company with limited liability incorporated on November 11, 2009 in accordance with the Companies Law (2009 Revision) and formed and registered in the Cayman Islands with the company registration number MC-233105, with its registered office at c/o Maples Finance Limited, PO Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands, in its capacities as issuer of the Certificates and as trustee for and on behalf of the Certificateholders (the "**Issuer**" or the "**Trustee**"). The Issuer has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below) to which it is party.
Ownership of the Issuer:	The authorized share capital of the Issuer is US$50,000 consisting of 50,000 shares of US$1.00 each, of which 250 shares are issued and fully paid up. The Issuer's entire issued share capital is held on trust by Maples Finance Limited, with its registered office at PO Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands under the terms of a trust for charitable purposes.
Administration of the Issuer:	The affairs of the Issuer will be managed by Maples Finance Limited, a licensed trust company in the Cayman Islands (the "**Trustee Administrator**"), who will provide, amongst other things, corporate administrative services and director services pursuant to a corporate services agreement to be dated the Closing Date made between the Issuer and the Trustee Administrator (the "**Corporate Services Agreement**").
Dar Al-Arkan/Guarantor:	Dar Al-Arkan Real Estate Development Company, a joint stock company incorporated under the laws of the Kingdom of Saudi Arabia with commercial registration number 1010160195, with shares publicly traded on the Saudi Stock Exchange.
Investment Manager:	Al-Arkan Sukuk Company, a limited liability company incorporated under the laws of the Kingdom of Saudi Arabia with commercial registration number 1010274407 (in its capacity as investment manager, the "**Investment Manager**"). The Investment Manager is a limited liability company wholly-owned, directly and indirectly, by Dar Al-Arkan.
Joint Bookrunners and Joint Lead Managers:	Deutsche Bank Securities Inc., Goldman Sachs International and Unicorn Investment Bank B.S.C.
Delegate:	Deutsche Trustee Company Limited. In accordance with the Declaration of Trust, the Issuer in its capacity as Trustee will unconditionally and irrevocably appoint the Delegate to be its attorney and to exercise such of its present and future duties, powers, authorities and discretions vested in the Issuer (as Trustee) as more particularly described in the Declaration of Trust.

Principal Paying Agent, Replacement Agent and Calculation Agent:	Deutsche Bank AG, London Branch.
Registrar and Transfer Agent in respect of Unrestricted Certificates: . .	Deutsche Bank Luxembourg S.A.
Registrar, Paying Agent and Transfer Agent in respect of Restricted Certificates:	Deutsche Bank Trust Company Americas.

Summary of the Investment Management Agreement

Nature of the Investment Management Agreement:	Pursuant to an investment management agreement to be dated the Closing Date (the "**Investment Management Agreement**") between the Issuer and the Investment Manager, the proceeds of the sale of the Certificates (the "**Sukuk Proceeds**") will be applied by the Issuer through the Investment Manager to invest in a single portfolio of investments comprising Ijara Agreements and Murabaha Agreements entered into between the Investment Manager and Restricted Subsidiaries of Dar Al-Arkan (together with any Sukuk Proceeds which have not been so invested, the "**Sukuk Portfolio**") in accordance with the Investment Plan (as defined below). The Ijara Agreements are to be entered into substantially on the terms set out in the Investment Management Agreement and must be effective within two Business Days after the Closing Date. Furthermore, the Murabaha Agreements are to be entered into substantially on the terms set out in the Investment Management Agreement and must be effective within 30 days after the Closing Date. The Investment Management Agreement provides that a minimum amount corresponding to 51% of the face amount of the Certificates outstanding must be invested in Ijara Agreements at all times, except: (i) during the above initial period necessary for entering into the Ijara Agreements; (ii) during the period necessary for replacement of any expired or terminated Ijara Agreements in accordance with the Underlying Value Conditions; or (iii) during the period necessary for replacement of Ijara Agreements following the occurrence of a total loss in respect of the underlying Leased Assets in accordance with the terms of the relevant Service Agency Agreement. The "**Investment Plan**" means the investment plan consisting of the following requirements for the Investment Manager: (i) to invest the Sukuk Proceeds into a portfolio of Sukuk Contracts which generates returns at least equal to the Periodic Distribution Amount for a period which is equal to or greater than the remaining duration of the Certificates which are outstanding at the time of the relevant investment; and (ii) to ensure satisfaction of the Underlying Value Conditions. The Investment Manager shall not be entitled to commingle its own assets with the Sukuk Portfolio. The Investment Manager has undertaken to the Issuer that so long as any Certificates remain outstanding, it shall not conduct any business or enter into any transactions other than those expressly permitted under, or contemplated by Investment Management Agreement and the related Sukuk Contracts.

Pursuant to the Investment Management Agreement, the lessee under each Ijara Agreement and the purchaser under each Murabaha Agreement must each be a Restricted Subsidiary of Dar Al-Arkan.

On the date falling two Business Days prior to each Periodic Distribution Date, the Investment Manager will collect all sums due from the counterparties to the Ijara Agreements and Murabaha Agreements (the "**Profit Collections**") and pay such amounts to the Principal Paying Agent on behalf of the Issuer by depositing the same in the Transaction Account. The Principal Paying Agent will in turn apply such amounts to pay the Periodic Distribution Amount to the Certificateholders on the relevant Periodic Distribution Date.

On the date falling two Business Days prior to the Maturity Date, a Dissolution Event Redemption Date or an Early Tax Redemption Date, the Investment Manager will liquidate the Sukuk Portfolio in accordance with the Investment Management Agreement and will pay the Sukuk Portfolio Liquidation Proceeds to the Principal Paying Agent on behalf of the Issuer by depositing the same into the Transaction Account. The Principal Paying Agent will in turn apply such amounts to pay the Dissolution Distribution Amount to the Certificateholders on the Maturity Date, Dissolution Event Redemption Date or Early Tax Redemption Date, as the case may be.

See "*Summary of Principal Transaction Documents—The Investment Management Agreement*".

Summary of the Guarantee

Nature of the Guarantee: . . . . Dar Al-Arkan will grant a guarantee in favor of the Issuer, the Trustee and the Delegate dated the Closing Date (the "**Guarantee**") pursuant to which Dar Al-Arkan will irrevocably undertake to pay to the Issuer for payment to the Certificateholders:

(a) the Distribution Shortfall Restoration Amount, if any, to the extent that there is a shortfall between: (i) the Profit Collections deposited in the Transaction Account and available for distribution to the Certificateholders on a Periodic Distribution Date; and (ii) the Periodic Distribution Amount scheduled for distribution on that date; and

(b) the Value Restoration Amount, if any, to the extent that there is a shortfall between the Sukuk Portfolio Liquidation Proceeds deposited in the Transaction Account and the Dissolution Distribution Amount payable on the Maturity Date, Dissolution Event Redemption Date or Early Tax Redemption Date, as the case may be, in respect of Certificates which are outstanding at such time,

in each case to the extent that such shortfall results from the negligence of or a failure by the Investment Manager to comply with its obligations under the Transaction Documents, including failure to satisfy the Underlying Value Conditions, but excluding any shortfall arising as a result of the fluctuation in value of the underlying real estate or commodities to which the Sukuk Contracts relate.

Covenants:	The Guarantee will limit Dar Al-Arkan's ability and the ability of its Restricted Subsidiaries to, *inter alia*: (a) incur additional indebtedness; (b) pay dividends or make other distributions to shareholders; (c) enter into arrangements that restrict dividends or other payments from subsidiaries; (d) sell assets, including stock of subsidiaries; (e) enter into transactions with affiliates; (f) engage in different business activities; (g) create liens on assets to secure debt; (h) enter into sale and leaseback transactions; and (i) merge or consolidate with another company. These covenants are subject to a number of important qualifications and exceptions described in the section entitled "*Summary of Principal Transaction Documents—The Guarantee*". If, on any date following the date of the Guarantee, the Certificates have an Investment Grade rating from both of the Rating Agencies and no Dissolution Event or Dar Al-Arkan Event has occurred and is continuing, Dar Al-Arkan and its Restricted Subsidiaries will not have to comply with certain covenants until such time, if any, as the Certificates are downgraded below Investment Grade. Dar Al-Arkan will also be required to meet certain financial ratios as set forth in the Guarantee, for so long as any Existing Sukuk Certificate (as defined in the Guarantee) is outstanding.
Repurchase of Certificates following a Change of Control:	No later than 30 days following a Change of Control, Dar Al-Arkan must make an offer to repurchase all Certificates then outstanding at a purchase price equal to 101 per cent. of their face amount, plus accrued and unpaid Periodic Distribution Amounts, if any, to the date of repurchase.
Repurchase of Certificates following an Asset Disposition:	If Dar Al-Arkan or any of its Restricted Subsidiaries makes an Asset Disposition, in certain circumstances prescribed in the Guarantee, Dar Al-Arkan must use all or part of the proceeds of such Asset Disposition to make an offer to purchase Certificates at a purchase price equal to 100 per cent. of their face amount, plus accrued but unpaid Periodic Distribution Amounts, if any.
Defeasance:	Dar Al-Arkan may choose not to be bound by its obligation to repurchase Certificates following a Change of Control or comply with certain covenants prescribed in the Guarantee by: (i) irrevocably depositing in trust with the Trustee money or government obligations that, through the payment of principal and profit and/or other distributions in respect thereof in accordance with their terms, will provide money in an amount sufficient to pay an amount equal to the aggregate of all sums which would be required to be paid under the Sukuk Contracts required to be entered into in accordance with the Investment Management Agreement to ensure compliance with the Underlying Value Conditions, for the period from the date on

which the relevant deposit is made into the defeasance trust in full, up to and including the Maturity Date; and (ii) by obtaining certain certificates and legal opinions, as more particularly described in the Guarantee. Any moneys or government obligations so deposited and all other rights in respect thereof will form part of the Trust Assets and will be held in such a manner as shall be approved by the Delegate in its absolute discretion.

See "*Summary of Principal Transaction Documents—The Guarantee*".

Summary of the Certificates

Certificates:	US$450,000,000 Certificates due 2015.
Issue Price:	99.058%.
Closing Date:	February 18, 2010.
Maturity Date:	The Certificates will expire on Februray 18, 2015 (the "**Maturity Date**"), unless previously redeemed or purchased and cancelled as provided herein.
Status:	The Certificates constitute undivided ownership interests in the Trust Assets and will rank *pari passu*, without any preference or priority among themselves. The Certificates will be issued on an unsubordinated basis.
Trust Assets:	Pursuant to the Declaration of Trust, the Issuer will (in such capacity, the "**Trustee**") declare that it will hold assets (the "**Trust Assets**") consisting of: (a) all of Dar Al-Arkan International Sukuk Company II's rights, title, interest and benefit in, to and under the Sukuk Portfolio; (b) all of Dar Al-Arkan International Sukuk Company II's rights, title, interest, benefit, present and future, in, to and under the Transaction Documents; (c) all monies standing to the credit of the Transaction Account from time to time; and (d) all proceeds of the foregoing, upon trust absolutely for the holders of the Certificates *pro rata* according to the outstanding face amount of Certificates held by each holder in accordance with the Declaration of Trust and the Conditions.
Transaction Documents:	The Declaration of Trust, the Agency Agreement, the Costs Undertaking, the Certificates, the Guarantee, the Investment Management Agreement, the Sukuk Contracts and any other agreements and documents delivered or executed in connection therewith are collectively referred to herein as the "**Transaction Documents**".
Form of the Certificates:	Certificates offered and sold outside the United States to non-US persons, within the meaning of, and in accordance with, Regulation S (the "**Unrestricted Certificates**") will be represented by beneficial interests in a Global Certificate (an "**Unrestricted Global Certificate**"), in registered form, without coupons attached, which will be deposited with, and registered in the name of a nominee for, a common depositary for

	Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**").
	Certificates offered and sold within the United States in transactions exempt from or not subject to the registration requirements of the US Securities Act to persons that are both QIBs and QPs ("**Restricted Certificates**") will also be represented on issue by beneficial interests in one or more Global Certificates (each, a "**Restricted Global Certificate**"), in registered form, without coupons attached, which will be deposited with Deutsche Bank Trust Company Americas as custodian (the "**Custodian**") for, and registered in the name of Cede & Co., as nominee of, The Depository Trust Company ("**DTC**").
	Ownership interests in the Unrestricted Global Certificate and the Restricted Global Certificates (together, the "**Global Certificates**") will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear, Clearstream, Luxembourg and DTC (as applicable), and their respective direct or indirect participants.
Denominations:	Certificates will be issued in minimum denominations of US$100,000 and integral multiples of US$1,000 in excess thereof.
Periodic Distribution Dates:	February 18 and August 18 in each year, commencing on August 18, 2010 and up to and including the Maturity Date.
Periodic Distribution Amount:	On each Periodic Distribution Date, Certificateholders will receive, from monies received by the Issuer in respect of the Trust Assets, a Periodic Distribution Amount in US dollars calculated by reference to a Periodic Distribution Rate of 10.75 per cent. per annum, all in accordance with Condition 5.1 (*Periodic Distribution Amounts and Periodic Distribution Dates*).
Dissolution of the Trust:	On the date falling two Business Days prior to the Maturity Date, any Dissolution Event Redemption Date or Early Tax Redemption Date (as described below), the Investment Manager will liquidate the Sukuk Portfolio in accordance with the terms of the Investment Management Agreement and will pay the Sukuk Portfolio Liquidation Proceeds to the Principal Paying Agent by depositing the same in the Transaction Account. The Principal Paying Agent will apply such amounts to pay the Dissolution Distribution Amount to the Certificateholders on the Maturity Date, a Dissolution Event Redemption Date or an Early Tax Redemption Date, as the case may be. The Trust shall only be dissolved following payment to the Certificateholders in full of such Dissolution Distribution Amount.
	"**Dissolution Distribution Amount**" means an amount equal to the Aggregate Face Amount of the Certificates outstanding, plus any accrued but unpaid Periodic Distribution Amounts.
Dissolution following a Dissolution Event:	The Dissolution Events are described in Condition 10 (*Dissolution Events*). Following the occurrence of a Dissolution Event, the Certificates may be redeemed in full at an amount equal to the Dissolution Distribution Amount in the manner described in Condition 10 (*Dissolution Events*).

Dissolution following a Tax Event: . . .	Upon the occurrence of a Tax Event, subject to certain conditions, the Certificates may be redeemed at the option of the Issuer on a date fixed for redemption (the "**Early Tax Redemption Date**") in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (an "**Early Redemption Notice**") to the Certificateholders in accordance with Condition 16 (*Notices*) (which notice shall be irrevocable), in which case each Certificateholder shall receive from the Issuer its *pro rata* share of the Dissolution Distribution Amount.
Application of Proceeds from Trust Assets:	On each Periodic Distribution Date, the Maturity Date, any Dissolution Event Redemption Date or any Early Tax Redemption Date, monies standing to the credit of the Transaction Account will be applied in the following order of priority: (a) first, (to the extent not previously paid) to pay the Delegate an amount equal to any sum payable to it on account of its properly incurred fees, costs, charges and expenses and to pay or provide for the payment or satisfaction of any liability incurred (or reasonably expected to be incurred) by the Delegate pursuant to the Declaration of Trust or in connection with any of the other Transaction Documents or the Conditions; (b) second, (to the extent not previously paid) to pay, on a *pro rata* and *pari passu* basis, each Agent and the Trustee Administrator an amount equal to any sum payable to each of them on account of its properly incurred fees, costs, charges and expenses and to pay or provide for the payment or satisfaction of any liability incurred (or reasonably expected to be incurred) by such Agents and/or the Trustee Administrator pursuant to the Agency Agreement and the Corporate Services Agreement as the case may be; (c) third, only if payment is due on a Periodic Distribution Date, to the Principal Paying Agent for application in or towards payment to the Certificateholders *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid; (d) fourth, in the case of the Maturity Date, a Dissolution Event Redemption Date or an Early Tax Redemption Date, to the Principal Paying Agent for application in or towards payment to the Certificateholders *pari passu* and rateably of the Dissolution Distribution Amount due on such date; and (e) fifth, only if such payment is due on the Maturity Date, a Dissolution Event Redemption Date or an Early Tax Redemption Date, in payment of the surplus (if any) to the Investment Manager as an incentive fee payable under the Investment Management Agreement.
Cancellation of Certificates held by Dar Al-Arkan and/or any of its subsidiaries:	Dar Al-Arkan and/or any of its subsidiaries may at any time purchase Certificates in the open market or otherwise. Should Dar Al-Arkan or any of its subsidiaries wish to cancel any Certificates so purchased or is required to do so pursuant to the Guarantee, it will deliver a Cancellation Notice to the Issuer (in its capacity as Trustee) under the terms of the Declaration of

Trust, whereupon the Issuer shall, in accordance with the terms of the Investment Management Agreement, instruct the Investment Manager to liquidate a proportion of the Sukuk Portfolio equal to the proportion of Certificates to be cancelled. The proceeds of such liquidation will be paid to such account as Dar Al-Arkan may specify in the Cancellation Notice.

Role of Delegate: Pursuant to the Declaration of Trust, the Trustee will delegate to the Delegate such of its present and future duties, powers, trusts, authorities and discretions vested in the Trustee as more particularly described in the Declaration of Trust. See "*Summary of Principal Transaction Documents—The Declaration of Trust*".

Transaction Account: The Principal Paying Agent will maintain and operate a US dollar account opened in the name of the Issuer (the "**Transaction Account**") into which, among other things, payments to the Issuer by or on behalf of the Investment Manager and the Guarantor under the Investment Management Agreement and the Guarantee, respectively, will be credited. Periodic Distribution Amounts and the Dissolution Distribution Amount will be paid to holders of the Certificates from funds standing to the credit of the Transaction Account in accordance with the order of priority set out in Condition 4.2 (*Application of Proceeds from Trust Assets*).

Enforcement: Neither the Trustee nor the Delegate shall be bound to take any action in relation to the Trust Assets or any Dissolution Event or take any action or any other step under the Conditions or any Transaction Document unless:

(a) the Delegate and/or the Trustee, as the case may be, is satisfied that it will be indemnified and/or secured and/or prefunded against all liabilities which may be incurred in connection with such action or step and may demand prior to taking any such action that there be paid to it in advance such sums as it reasonably considers (without prejudice to any further demand) shall be sufficient so to indemnify it; and

(b) in the case of the Delegate only, directed or requested to do so by a Certificateholders' Direction.

No Certificateholder shall be entitled to proceed directly against, or to provide instructions to the Trustee to pursue any claim against, the Issuer, the Trustee, the Investment Manager or Dar Al-Arkan arising under the Trust Assets or the Certificates or to enforce the performance of any provisions of any of the Transaction Documents or for any other reason unless: (A) (i) the Delegate has resigned its appointment in accordance with the terms of the Declaration of Trust and no successor or replacement has been appointed in its place (in accordance with the terms of the Declaration of Trust); or (ii) the Delegate, having become bound so to proceed fails to do so within a reasonable period of becoming so bound and such failure is continuing; and (B) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against the Issuer, the Trustee, the Investment Manager or Dar Al-Arkan or to provide instructions to the Trustee to do so, as the case may be) holds at least 25% of the aggregate face amount of the Certificates then outstanding. Under no circumstances shall the Trustee, the

	Delegate or any Certificateholders have any right to cause the sale or other disposition of any of the Trust Assets, except pursuant to the terms of the Transaction Documents or under the Conditions. The sole right of the Trustee, the Delegate and the Certificateholders against the Issuer, the Investment Manager and/or Dar Al-Arkan shall be to enforce their respective obligations under the Transaction Documents to which they are party.
Withholding Tax:	All payments by the Issuer under the Certificates are to be made without withholding or deduction for or on account of taxes of the Relevant Jurisdiction, unless the withholding or deduction of the taxes is required by law of the Relevant Jurisdiction. In such event, the Issuer will be required pursuant to Condition 8 (*Taxation*) to pay such additional amounts as may be necessary to ensure that the full amount which otherwise would have been due and payable under the Certificates is received by the Certificateholders.
Costs Undertaking:	Dar Al-Arkan will execute a Costs Undertaking on the Closing Date pursuant to which it will agree to reimburse, among others, the Trustee, the Delegate and the Agents for certain expenses incurred by them and indemnify such parties in respect of certain liabilities incurred by them in connection with the issue of the Certificates.
Listing:	Application has been made to the UK Listing Authority for the Certificates to be admitted to the Official List and to the London Stock Exchange for such Certificates to be admitted to trading on the Regulated Market.
Ratings:	The Certificates are expected to be rated Ba2 by Moody's and BB− by Standard & Poor's. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Certificateholder Meetings:	A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests is set out in Condition 14 (*Meetings of Certificateholders, Modifications, Waiver, Authorisation and Determination*).
Selling Restrictions:	There are restrictions on the distribution of this Offering Memorandum and the offer and sale of Certificates in the Cayman Islands, the Dubai International Finance Centre, Hong Kong, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, Malaysia, Singapore, the State of Brunei Darussalam, the State of Qatar, Switzerland, United Arab Emirates (excluding the Dubai International Finance Centre), the United Kingdom and the United States and such other restrictions as may be required in connection with the offering and sale of the Certificates. See "*Subscription and Sale and Transfer and Selling Restrictions*".
Governing Law:	The Declaration of Trust, the Certificates, the Agency Agreement, the Costs Undertaking and the Guarantee will be governed by English law. The Investment Management Agreement and the Sukuk Contracts will be governed by the laws of the Kingdom of Saudi Arabia.

Security Codes:	The Common Code and ISIN for the Unrestricted Certificates and the Common Code, ISIN and CUSIP number for the Restricted Certificates are as follows: **Unrestricted Certificates:** Common Code: 048532675 ISIN: XS0485326754 **Restricted Certificates:** Common Code: 048645186 ISIN: US23703RAA05 CUSIP: 23703R AA0

Pronouncement

Prospective Certificateholders should not rely on the pronouncement referred to below in deciding whether to make an investment in the Certificates and should consult their own Shari'ah advisers as to whether the proposed transaction described in the pronouncement referred to below is in compliance with Shari'ah principles.

Pronouncement of the Shari'ah Supervisory Board of Unicorn Investment Bank B.S.C.

Copies of the detailed pronouncement issued by the Shari'ah Supervisory Board of Unicorn Investment Bank B.S.C. ("**Unicorn Shari'ah Supervisory Board**") relating to the issue of the Certificates and confirming that, in their view, the structure described in the Transaction Documents is in compliance with Shari'ah principles, shall be distributed to prospective Certificateholders upon request.

Members of the Unicorn Investment Bank Shari'ah Supervisory Board

Dr. Khalid Mathkoor

Dr. Ali. Muhyealdin Al-Quradaghi

Sheikh Nizam M. Yaqoubi

Dr. Aagil Jassim Al Nashmy

Dr. Mohd Daud Bakar

The Shari'ah pronouncement of the Unicorn Shari'ah Supervisory Board is only an expression of the views of the Unicorn Shari'ah Supervisory Board and is not binding on other Shari'ah authorities. As interpretation of Shari'ah may vary among Shari'ah authorities, and may change from time to time, there can be no assurance that the Certificates will meet an investor's individual standard of compliance, and none of the Issuer, the Trustee, the Delegate, Dar Al-Arkan or the Joint Bookrunners and Joint Lead Managers makes any representation as to the same herein. Accordingly, investors are advised to obtain their own independent Shari'ah advice as to whether the Certificates and the Transaction Documents meet their individual standards of compliance.

Summary Financial Data

The following tables set forth Dar Al-Arkan's summary financial data as of and for the years ended December 31, 2009, 2008 and 2007.

The summary financial data as of and for the years ended December 31, 2009 and 2008 have been derived from the 2009 & 2008 Audited Financial Statements included herein. The summary financial data as of and for the year ended December 31, 2007 have been derived from the comparative financial information for year ended December 31, 2007 included in the 2008 Audited Financial Statements. This comparative financial information for year ended December 31, 2007 is based on the 2007 Audited Financial Statements included herein, although the presentation of the comparative financial information as of and for the year ended December 31, 2007 included in the 2008 Audited Financial Statements differs from the presentation in the 2007 Audited Financial Statements due to adjustments made to certain items to conform to the presentations in the 2009 & 2008 Audited Financial Statements. The adjusted summary financial data as of and for the year ended December 31, 2007 have been presented for comparative purposes only, and were not subject to the audit report accompanying the 2007 Audited Financial Statements. For a discussion of the material adjustments made to certain items as of and for the year ended December 31, 2007, see "*Presentation of Financial and Other Information*" on page (v) of this Offering Memorandum.

The Kingdom follows a fixed exchange rate policy under which the Saudi Riyal is pegged to the US Dollar at the exchange rate of US$1 = SAR3.745.

The summary financial data should be read in conjunction with, and is qualified in its entirety by reference to, the information contained in "*Presentation of Financial and Other Information*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Audited Financial Statements included herein.

Statement of Income Data

	Year Ended December 31,		
	2009	2008	2007
		SAR'000	
Revenue	5,464,053	5,610,768	4,925,933
Cost of sales	(2,956,916)	(2,765,587)	(2,517,924)
Gross profit	**2,507,137**	**2,845,181**	**2,408,009**
General, administrative, selling and marketing expenses	(146,423)	(151,630)	(82,855)
Depreciation	(17,531)	(22,253)	(18,441)
Share of loss from investment in associates	(4,640)	—	—
Finance income	—	4,377	48,941
Finance cost	(168,567)	(271,523)	(318,840)
Other income	2,703	12,518	351
Profit before zakat	**2,172,679**	**2,416,670**	**2,037,165**
Zakat expense	(50,000)	(60,423)	(28,591)
Net profit for the year	**2,122,679**	**2,356,247**	**2,008,574**
Attributable to:			
Dar Al-Arkan shareholders:	**2,122,679**	**2,356,247**	**2,008,574**
Non-controlling interests:	**—**	**—**	**—**

Statement of Financial Position Data

	As of December 31,		
	2009	2008	2007
		SAR'000	
Cash and cash equivalents	2,223,495	716,475	3,346,865
Investment properties	1,518,167	591,238	241,689
Development properties	17,410,139	14,747,282	12,560,717
Total assets	23,596,790	20,163,980	18,374,327
Total borrowings(1)	8,354,742	7,635,000	6,400,000
Equity attributable to Dar Al-Arkan shareholders	13,859,176	11,736,496	11,000,249

(1) Total borrowings represent long-term borrowings and short-term borrowings as reflected on the statement of financial position of Dar Al-Arkan.

RISK FACTORS

In considering an investment in the Certificates, prospective investors should carefully consider the following risk factors and the other information contained in this Offering Memorandum. The risks and uncertainties described below are all those that management currently believes could materially adversely affect an investment in the Certificates, including the ability of the Issuer and Dar Al-Arkan to fulfill their obligations under the Certificates and the other Transaction Documents. However, the risks listed below do not necessarily comprise all those associated with an investment in the Certificates. Additional risks and uncertainties that management is currently not aware of or that it currently believes are immaterial may also adversely affect an investment in the Certificates. Any of the following risks and uncertainties may materially and adversely affect Dar Al-Arkan's business, financial condition, results of operations and/or prospects, the price of the Certificates, the Issuer's ability to pay Periodic Distribution Amounts or the Dissolution Distribution Amount and/or Dar Al-Arkan's ability to pay Distribution Shortfall Restoration Amounts or the Value Restoration Amount pursuant to the Guarantee, any of which could cause investors in the Certificates to lose all or part of their investment.

Risks relating to the Issuer

The Issuer has no operating history, will have no material assets other than the Sukuk Portfolio and will be dependent on Dar Al-Arkan and its subsidiaries to pay amounts due on the Certificates

The Issuer is a newly formed entity and has no operating history. The Issuer's only material assets, which will be held by it as Trustee on trust for the Certificateholders, will be the Issuer's rights, title, interest and benefit in, to and under the Sukuk Portfolio which will be comprised of Ijara Agreements and Murabaha Agreements (the counterparties to which will be subsidiaries of Dar Al-Arkan). The Issuer's only material source of funds will be its right under the Transaction Documents to receive periodic payments generated by the Sukuk Portfolio and the payment of the proceeds upon liquidation of the Sukuk Portfolio, or in the event that such payments are insufficient to pay Periodic Distribution Amounts or the Dissolution Distribution Amount due to Certificateholders, payments from Dar Al-Arkan pursuant to the Guarantee to make up for the shortfall. The ability of the Issuer to pay amounts due to Certificateholders will therefore be dependent upon Dar Al-Arkan and its subsidiaries fulfilling their obligations under the Transaction Documents. As a consequence, the Issuer's ability to satisfy its obligations under the Certificates and the other Transaction Documents is subject to all the risks to which Dar Al-Arkan and its subsidiaries are subject that could negatively affect their ability to satisfy their obligations under the Transaction Documents.

Risks relating to Dar Al-Arkan

The success of Dar Al-Arkan's business is dependent on a number of economic and other factors affecting the Kingdom that are beyond its control

Dar Al-Arkan conducts all of its activities in the Kingdom and its future performance is therefore dependent on a number of economic and other factors relating to the Kingdom that are beyond its control. Dar Al-Arkan's expansion of operations and growth in revenues and net income since 2004 were due in large part to increasing demand for real estate in the Kingdom. Such demand was supported by favorable economic factors, including political stability and high oil prices. The average nominal price per barrel of Arabian Light oil was US$95.16, US$68.75, US$61.05, US$50.15 and US$34.53 in 2008, 2007, 2006, 2005 and 2004, respectively, according to the 45th Annual Report of the Saudi Arabian Money Agency (August 2009) (the "**SAMA Report**"). During these same years real GDP increased in the Kingdom by 4.4%, 3.3%, 3.2%, 5.6% and 5.3%, respectively, according to the SAMA Report. In addition, demand for real estate in the Kingdom was supported by a number of other factors, including government initiatives aimed at growing the middle class and the development of a modest home financing industry. There can be no assurances that such economic and other trends will continue. Any negative change in such trends could negatively affect demand for real estate in the Kingdom and the prices at which Dar Al-Arkan can sell its Land Projects and residential units on its Residential and Commercial Projects, which could have a material adverse effect on Dar Al-Arkan's business, financial condition and results of operations.

Dar Al-Arkan may not complete development projects that are currently under construction or in initial stages of development

Completion of Dar Al-Arkan's current and planned development projects is subject to a number of risks, including:

- inability to continue to fund development projects from cash from operations or external financings;
- failure of initial phases of development projects to generate expected revenues;
- significant delays or refusals in obtaining all necessary zoning, building, occupancy and other required governmental authorizations; and
- significant delays in schedules or significant cost overruns for development projects.

Any of the above factors could cause Dar Al-Arkan to cease further development of a project or to designate a project for other use, which could have a material adverse effect on Dar Al-Arkan's business, financial condition and results of operations.

The completion of Dar Al-Arkan's current and future development projects could be delayed

Dar Al-Arkan's timely completion of its development projects is dependent on a number of factors, including:

- the ability to fund development projects from cash from operations or external financings;
- the timing and receipt of necessary zoning, building, occupancy and other required governmental authorizations;
- the availability of construction materials and labor that meet Dar Al-Arkan's standards; and
- the ability of contractors, subcontractors and other third parties to complete their work on schedule.

Failure to complete developments projects on schedule could result in delays in generating revenues and unanticipated costs and could also have a negative effect on Dar Al-Arkan's reputation in the Kingdom, any of which could have a material adverse effect on Dar Al-Arkan's business, financial condition and results of operations.

The total estimated costs of Dar Al-Arkan's development projects may be subject to unanticipated increases

The total estimated costs of Dar Al-Arkan's development projects could increase unexpectedly due to a number of factors, including:

- increases in the cost of construction materials and labor;
- defects in construction materials;
- discovery of defects in the land;
- failure of contractors or subcontractors to timely or adequately perform their obligations;
- contractors or other third parties re-negotiating their agreements; and
- government authorities applying additional requirements on development of projects.

There can be no assurances that Dar Al-Arkan will be able to reflect unanticipated costs increases in the selling or rental prices for affected development projects or that such selling or rental prices will be sufficient to allow Dar Al-Arkan to recover its costs for affected development projects, either of which could have a material adverse effect on Dar Al-Arkan's business, financial condition and results of operations.

Recent increases in construction costs in the Kingdom may continue and Dar Al-Arkan may not be able reflect such cost increases in its selling or rental prices

The real estate industry in the Kingdom has recently experienced increases in costs of construction materials and labor. In particular, the price of construction materials has fluctuated considerably during the past few years, due to exchange rate variations and scarcity of certain materials. For example, the average price per cubic meter of concrete was SAR195 (US$52), SAR182 (US$49) and SAR154 (US$41) in 2008, 2007 and 2006, respectively, according to the Saudi Arabian Central Department of Statistics. In addition, the cost of labor has increased due to increased levels of real estate development in the Kingdom. There can be no assurances that these costs will not continue to increase or that Dar Al-Arkan will be able to reflect such costs increases in its selling or rental prices. An inability to reflect construction cost increases in its selling or rental prices could have a material adverse effect on Dar Al-Arkan's business, financial condition and results of operations.

Failure to obtain and comply with regulatory approvals could result in interruption or termination of Dar Al-Arkan's development projects

Dar Al-Arkan is required to obtain zoning, building, occupancy and certain other regulatory approvals for its development projects in the Kingdom. There can be no assurances that all regulatory approvals in connection with existing or proposed development projects will be obtained in a timely manner, or at all. Furthermore, the terms of regulatory approvals could impose unanticipated conditions and costs on development projects. In addition, violation of the terms of any such regulatory approvals may lead to their cancellation, withdrawal, suspension or the imposition of financial and/or non-financial penalties by relevant authorities. Any of the above factors may result in the interruption or termination of Dar Al-Arkan's development projects, which could have a material adverse effect on Dar Al-Arkan's business, financial condition and results of operations.

Dar Al-Arkan depends on contractors and subcontractors to complete projects on schedule and to maintain a consistent standard of quality

Dar Al-Arkan relies on contractors and subcontractors to construct its development projects, who in turn rely on suppliers of construction materials. Failure of contractors and subcontractors to construct Dar Al-Arkan's development projects on schedule and in accordance with Dar Al-Arkan's quality standards, or failure of suppliers to timely deliver adequate amounts of defect-free construction materials, could delay completion of projects or negatively affect the quality of the projects. The ability of contractors and subcontractors to perform their obligations is subject to numerous factors beyond the control of Dar Al-Arkan, such as their ability to hire adequate labor and to otherwise manage their own businesses efficiently. In addition, the ability of suppliers of construction materials to perform their obligations is subject to periodic shortages and price volatility in raw materials. A failure to complete projects on time or to maintain a consistent standard of quality may lead to difficulties in marketing Dar Al-Arkan's products, rescissions of sales contracts and increased liabilities pursuant to customer warranty claims, each of which could have a material adverse effect on Dar Al-Arkan's business, financial condition and results of operations.

Dar Al-Arkan's business requires substantial capital investment and there can be no assurance that necessary financing will be available

Dar Al-Arkan will require additional financing to fund capital expenditures and to support the future growth of its business. In particular, the relative lack of "off-plan" home sales in the Kingdom requires Dar Al-Arkan to rely to a certain extent on external financings through domestic banks and the domestic and international capital markets to finance the development of its Residential and Commercial Projects. Dar Al-Arkan's ability to obtain external financing and the cost of such financing are dependent on numerous factors, including general economic and capital markets conditions, credit ratings, financing costs, credit availability from banks or other lenders, the success of Dar Al-Arkan's business and tax and securities laws that may be applicable to capital raising activities. There can be no assurances that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favorable to Dar Al-Arkan.

Dar Al-Arkan's increasing focus on Master-Planned Communities significantly increases its financial exposure and demands on its operational execution

The large scale of Dar Al-Arkan's Master-Planned Communities has increased its reliance on external financings. If Dar Al-Arkan's Master-Planned Communities do not generate expected levels of revenues, Dar Al-Arkan may have difficulty satisfying its obligations under these financing arrangements and funding capital expenditures for current or planned development projects. In addition, due to the complexity and scale of these large projects, Dar Al-Arkan may encounter difficulties managing their development in line with its quality standards and within expected timeframes and budgets. Furthermore, it may take longer than expected to sell or lease all of the units on such large projects. The occurrence of any of the above could have a material adverse effect on Dar Al-Arkan's business, financial condition and results of operations.

Dar Al-Arkan's Master-Planned Communities may not gain acceptance in the Kingdom

Citizens of the Kingdom have traditionally lived in settings that are more private and family oriented than the settings offered by Dar Al-Arkan's Master-Planned Communities. In addition, traditional homes in the Kingdom are generally large enough to accommodate large families and to provide a great deal of privacy among men and women, including separate entrances for men and women. Dar Al-Arkan's Master-Planned Communities do not cater to these traditional arrangements in certain respects. Dar Al-Arkan seeks to develop Master-Planned Communities that are self-contained living environments, and such developments are communal by nature. Home buyers in the Kingdom may be reluctant to live in close proximity to people who are not part of their extended family. In addition, certain residential units on Dar Al-Arkan's Master-Planned Communities are smaller than traditional homes in the Kingdom and do not offer separate entrances for men and women. Potential home purchasers will need to weigh the convenience and affordability of Master-Planned Communities against aspects of the developments that are not consistent with traditional social preferences. A failure of Dar Al-Arkan's Master-Planned Communities to gain acceptance in the Kingdom could have a material adverse effect on Dar Al-Arkan's business, financial condition and results of operations.

The real estate industry in the Kingdom is characterized by strong competition among global and local real estate development companies

Dar Al-Arkan faces competition from a number of local, national and international real estate developers. With respect to its Residential and Commercial Projects, Dar Al-Arkan targets the middle-income segment of the real estate market and its primary competitors have historically been small developers who develop projects containing between five and 20 units. In recent years, large regional real estate developers have entered the Kingdom's real estate development market, in particular developers from the United Arab Emirates. Certain of these competitors are developing projects similar to Dar Al-Arkan's Master-Planned Communities. These competitors may have greater expertise and financial, technical, and marketing resources than the smaller developers with which Dar Al-Arkan has competed historically, and they may have greater expertise and resources than Dar Al-Arkan. There can be no assurances that home buyers will not prefer the developments of these competitors over Dar Al-Arkan's Master-Planned Communities. Failure to compete effectively with such competitors could have a material adverse effect on Dar Al-Arkan's business, financial condition and results of operations.

Market data for the real estate market in the Kingdom may not be complete or reliable

In recent years, a small number of private organizations have begun to publish statistical and other research data with respect to real estate in the Kingdom. However, this data is not as complete or reliable as data and research in more developed real estate markets, primarily due to limited access to information regarding real estate sales prices in the Kingdom and the relatively short period of time such data and research has been published. This relative lack of complete and reliable statistical and other data makes it more difficult to assess real estate values in the Kingdom, which could make it more difficult for Certificateholders to assess the merits of an investment in the Certificates. In addition, this difficulty in assessing real estate values in the Kingdom could result in Dar Al-Arkan's land purchases and development projects returning lower than expected revenues, which could have a material adverse effect on Dar Al-Arkan's business, financial condition and results of operations.

Dar Al-Arkan's development projects could be subject to material physical damage due to natural disasters and other causes beyond Dar Al-Arkan's control

Dar Al-Arkan's development projects could be subject to material physical damage caused by fire, storms, earthquakes or other natural disasters, or by other causes such as terrorist attacks. Should any such event occur, Dar Al-Arkan could lose the capital it has invested in the development project as well as anticipated revenues from the sale or lease of units on such projects. In such cases, Dar Al-Arkan would also remain obligated to repay any debt or other financial obligations related to the development of the project. Any of the above occurrences could have a material adverse effect on Dar Al-Arkan's business, financial condition and results of operations.

Dar Al-Arkan may not be able to cooperate with the municipal government of Jeddah in a manner that ensures the efficient development and financial success of the Qasr Khozam Land Project

Dar Al-Arkan's Qasr Khozam Land Project is being developed pursuant to an agreement between Dar Al-Arkan and the Jeddah Development and Urban Regeneration Company, an instrumentality of the municipal government of Jeddah. There can be no assurances that Dar Al-Arkan and the municipal government of Jeddah will be able to cooperate in a manner that ensures the efficient operation and financial success of the Qasr Khozam project. The municipal government of Jeddah may have economic interests or business goals that are inconsistent with Dar Al-Arkan's, be unable or unwilling to fulfill its obligations under the agreement with Dar Al-Arkan, or experience financial or other difficulties. The occurrence of any of the above could jeopardize the success of the Qasr Khozam project, which could have a material adverse effect on Dar Al-Arkan's business, financial condition and results of operations.

Dar Al-Arkan's future revenues from property management operations will depend upon its ability to find suitable tenants and to effectively manage the properties

Dar Al-Arkan has begun to expand its business to include property management by retaining as rental properties certain commercial and residential units on its Master-Planned Communities. There can be no assurances that Dar Al-Arkan will be able to find suitable tenants on the terms and conditions it seeks, or at all. The financial stability of tenants may also change over time due to factors directly related to the tenants or the overall economy of the Kingdom, which could affect their ability to make lease payments. In addition, Dar Al-Arkan may also incur costs relating to retaining existing tenants and attracting new tenants, such as those relating to the renovation of properties to suit the needs of tenants. Failure to find suitable tenants on the terms and conditions it seeks and to effectively manage rental properties could have a material adverse effect on Dar Al-Arkan's business, financial condition and results of operations.

Dar Al-Arkan is subject to financial and restrictive covenants under its previously issued Sukuk and other outstanding financing arrangements and a failure to comply with these covenants could result in the acceleration of payments and the loss of certain real estate assets

Dar Al-Arkan conducted two international offerings of Sukuk in 2007, in amounts of US$600 million and US$1 billion. Dar Al-Arkan also conducted a domestic offering of Sukuk in 2009 in an amount of SAR750 million (US$200 million). The previously issued Sukuk contain financial covenants that require Dar Al-Arkan to maintain certain levels of shareholders' equity, total liabilities to total assets and current ratios. In addition, the previously issued Sukuk restrict Dar Al-Arkan from creating liens over its assets, disposing of its assets, entering into mergers with other companies and substantially changing the general nature of its business. Dar Al-Arkan is also subject to financial and restrictive covenants in certain of its other outstanding financing arrangements. Furthermore, certain of the Dar Al-Arkan's previously issued Sukuk and other financing arrangements contain cross-default and cross-acceleration provisions. Failure to comply with the covenants and other restrictions under any of the previously issued Sukuk or other outstanding financing arrangements could result in events of default which could cause an acceleration of Dar Al-Arkan's payment obligations under the previously issued Sukuk and other outstanding financing arrangements. In addition, with respect to the internationally issued Sukuk, in the event that Dar Al-Arkan is unable to repurchase the underlying Sukuk assets (which consist of portions of Dar Al-Arkan's development projects) in order to generate proceeds to pay outstanding amounts under the Sukuk, the Sukuk assets may be sold to third parties to generate the necessary proceeds. If Dar Al-Arkan's payment obligations under the previously issued Sukuk or other financing arrangements were to be accelerated, there can be no assurance that Dar Al-Arkan's assets and cash flow would be sufficient to repay in full all such payment obligations, or that Dar Al-Arkan would be able to obtain alternative financings, or if it were to obtain alternative financings, that they would be on terms that are favorable or acceptable to Dar Al-Arkan. For a more detailed discussion of Dar Al-Arkan's previously issued Sukuk and other financing arrangements, see "*Description of Other Indebtedness*".

Dar Al-Arkan will be subject to a number of restrictive covenants under the Guarantee which may restrict its business and financing activities, and a failure to comply with these covenants could result in the acceleration of its payment obligations under the Guarantee, its previously issued Sukuk and other financing arrangements

The Guarantee will include a number of significant restrictive covenants. These covenants restrict, among other things, the ability of Dar Al-Arkan and its subsidiaries to:

- incur additional indebtedness;

- pay dividends or make other distributions to shareholders;
- make certain investments;
- enter into arrangements that restrict dividends or other payments from subsidiaries;
- sell assets, including capital stock of subsidiaries;
- enter into transactions with affiliates;
- engage in different business activities;
- create liens on assets to secure debt;
- enter into sale and leaseback transactions; and
- merge or consolidate with another company.

In addition, the Guarantee will provide that for so long as any of Dar Al-Arkan's previously issued Sukuk remain outstanding, Dar Al-Arkan will maintain certain levels of shareholder's equity, total liabilities to total assets and current ratios. These restrictions may negatively affect Dar Al-Arkan's ability to react to changes in market conditions, take advantage of business opportunities that it believes to be desirable, obtain future financing, fund necessary capital expenditures or withstand a future downturn in its business. Furthermore, if Dar Al-Arkan and its subsidiaries are unable to comply with the covenants in the Guarantee, it could result in a Dissolution Event under the Certificates which could cause an acceleration of Dar Al-Arkan's payment obligations under the Guarantee, its previously issued Sukuk and other outstanding financing arrangements. If Dar Al-Arkan's payment obligations under the Guarantee, previously issued Sukuk or other financing arrangements were to be accelerated, there can be no assurance that Dar Al-Arkan's assets and cash flow would be sufficient to repay in full all such payment obligations, or that Dar Al-Arkan would be able to obtain alternative financings, or if it were to obtain alternative financings, that they would be on terms that are favorable or acceptable to Dar Al-Arkan. For a more detailed discussion of the restrictions to which Dar Al-Arkan and its subsidiaries are subject under the Guarantee, see "*Summary of Principal Transaction Documents—The Guarantee*".

Dar Al-Arkan has engaged in related party transactions and may continue to do so

Dar Al-Arkan has entered into transactions with certain companies in which Dar Al-Arkan's founding shareholders, directors or officers have material interests. Any such related party transaction may include terms less favorable to Dar Al-Arkan than those that could have been agreed to with unrelated third parties. While management believes such related party transactions have been entered into on arm's length terms, Dar Al-Aarkan has no formal process for the independent assessment of the appropriateness of the terms of such transactions. In the event such related party transactions shift excessive benefits to related parties of Dar Al-Arkan, the transactions could have a material adverse effect on Dar Al-Arkan's business, financial condition and results of operations.

Dar Al-Arkan relies on third parties for significant support of its operations

Dar Al-Arkan currently receives significant assistance with respect to the planning and development of its Land Projects and Residential and Commercial Projects from Turner Construction (USA), pursuant to a program management services agreement. Turner Construction is actively involved in all of Dar Al-Arkan's current development projects. In addition, Saudi Home Loans Company, one of Dar Al-Arkan's affiliates, provides financing to purchasers of residential units on projects developed by Dar Al-Arkan. For the years ended December 31, 2009 and 2008, Saudi Home Loans Company financed approximately 12.2% and 16.8% of home purchases on Dar Al-Arkan's Residential and Commercial Projects, respectively. Delay or failure of these third parties in meeting their commitments could have a material adverse effect on Dar Al-Arkan's business, financial condition and results of operations.

Dar Al-Arkan relies on certain key personnel to operate its business

Dar Al-Arkan relies on the efforts, diligence, skill, network of business contacts and close supervision of its senior management team and other key personnel. If one or more members of Dar Al-Arkan's senior management team or key personnel were to resign, the loss of such personnel could result in a failure or delay to achieve some or all of its business strategies and may require the diversion of management resources. In addition, Dar Al-Arkan's future success as it expands its scope of operations will depend, in part, on its ability to attract, retain and motivate qualified personnel. Failure to retain current key personnel or to attract and retain additional qualified personnel could have a material adverse affect on its business, financial condition and results of operations.

The information technology systems that Dar Al-Arkan relies on to efficiently run its business could fail

Dar Al-Arkan relies on information technology systems to help efficiently run its business. Information technology systems utilized by Dar Al-Arkan include applications of financial management (financial reports, accounting and treasury), supplies and management (administrative directives, procurement and stock control/management), human resources, production planning, project and project related stock control/management (work in progress and completed units). Any significant failure of these systems could have a material adverse effect on Dar Al-Arkan's operations.

Risks Relating to the Kingdom

Dar Al-Arkan's business operations are subject to general risks related to the Kingdom and the Middle East

Dar Al-Arkan conducts all of its activities in the Kingdom and its operating results are therefore affected by general economic, social and political developments in the Kingdom. The economy of the Kingdom, like those of many emerging markets, has been characterized by significant government involvement through direct ownership of enterprises and extensive regulation of market conditions, including limitations on foreign investment, foreign trade and financial services. In addition, the Kingdom has historically had a relatively high unemployment rate among Saudi nationals. Despite recent government initiatives directed at deregulation, growth of the private sector of the economy, expansion of financial services and increased employment among Saudi nationals, the government continues to exercise significant influence over many aspects of the Kingdom's economy, the private sector of the economy remains relatively undeveloped and unemployment among Saudi nationals remains relatively high. Furthermore, certain countries in the Middle East have experienced in the recent past, or are currently experiencing, political, social and economic instability, extremism, terrorism and/or war. Such instability in other countries in the Middle East could have a negative effect on political, social and economic conditions in the Kingdom. In addition, within the Kingdom, extremists have engaged in the past in campaigns against the government and western companies and individuals. The foregoing factors could have a materially negative impact on the ability of Dar Al-Arkan to continue to grow its business or could result in circumstances that have a material adverse effect on its business, financial condition and results of operations.

The Kingdom's economy is highly dependent upon revenues from oil

The Kingdom's economy is highly dependent on oil revenues. For the years ended December 31, 2008, 2007, 2006, 2005 and 2004 the oil sector of the Kingdom's economy contributed 60.3%, 54.6%, 53.9%, 52.3% and 45.2%, respectively, to the Kingdom's nominal GDP, according to the SAMA Report. Historically, the price of oil has been volatile. The average nominal price per barrel of Arabian Light oil was US$95.16, US$68.75, US$61.05, US$50.15 and US$34.53 in 2008, 2007, 2006, 2005 and 2004, respectively, according to the SAMA Report. Such volatility in oil prices will likely continue in the future. The price of oil may fluctuate in response to various factors including, economic and political developments in oil producing regions, the strength of the global economy, the ability of OPEC and other oil producing nations to agree upon and maintain production levels and prices, the impact of international environmental regulations designed to reduce carbon emissions and prices and availability of alternative fuels. Future volatility in the price of oil could adversely affect the Kingdom's economy, which could in turn have a material adverse effect on Dar Al-Arkan's business, financial condition and results of operations.

The legal and regulatory systems applicable to public companies in the Kingdom are less developed than in the United States and other jurisdictions with major capital markets

The Kingdom is in the process of developing institutions and legal and regulatory systems relating to public companies and the capital markets, including those relating to disclosure requirements, corporate governance and rights of securities holders. The legislation which governs capital markets in the Kingdom, The Capital Market Law, was issued by royal decree in 2003, and the regulator responsible for overseeing the capital markets in the Kingdom, the Capital Market Authority, was also established in 2003 pursuant to the Capital Market Law. Since 2003, various regulations have been issued in the Kingdom by the Capital Market Authority which relate to public companies and the capital markets. However, certain regulations relating to public companies and the capital markets are yet to be issued and those that have been recently issued are still being refined. As a consequence, laws and regulations relating to public companies in the Kingdom may be less extensive than those in the United States or other jurisdictions with major capital markets, and the level of publicly available information, responsibilities of board members and rights of securities holders in the Kingdom may be different in certain material respects from what is customary in jurisdictions with major capital markets. Furthermore, many aspects of laws and regulations in the Kingdom relating to public companies and the capital markets have not yet been subject to judicial or regulatory interpretation or review and are therefore still subject to certain uncertainties with respect to their application. The foregoing factors subject holders of securities of Dar Al-Arkan, including the Certificateholders, to certain risks and uncertainties that they would not be subject to in the Unites States or other jurisdictions with major capital markets.

Legislative and regulatory changes in the Kingdom may adversely affect Dar Al-Arkan's operations

Dar Al-Arkan's activities are subject to the laws of the Kingdom, including the Ministry of Commerce and Industry's regulations. Laws and regulations that are applied in the Kingdom may change from time to time. Changes in such laws and regulations could impose restrictions on the development, sale or lease of Dar Al-Arkan's properties, as well as result in unanticipated costs. Occurrence of any of the above could have a material adverse effect on Dar Al-Arkan's business, prospects, financial conditions and results of operations.

Risks relating to the Certificates and Guarantee

A secondary market for the Certificates may not develop

The Certificates are a new issuance of securities with no established trading market. If a secondary trading market does not develop or is not maintained, holders of the Certificates may experience difficulty in reselling the Certificates or may not be able to sell them at all. The liquidity of any market for the Certificates will depend on a number of factors, including the number of holders of the Certificates and the interest of securities dealers in making a market for the Certificates. Although the Joint Bookrunners and Joint Lead Managers have advised Dar Al-Arkan that they intend to make a market for the Certificates in accordance with applicable law, they are not obligated to do so and any such market-making activity may be discontinued at any time. In addition, although application has been made for the Certificates to be admitted to trading on the London Stock Exchange's Regulated Market, there can be no assurances that admission to trading will occur, or that admission to trading will create a secondary trading market for the Certificates. Furthermore, if a secondary trading market does develop, the Certificates may trade at a discount from their initial offering price depending on a number of factors, including prevailing interest rates, the market for similar securities, Dar Al-Arkan's business performance or prospects and general economic conditions. Accordingly, the purchase of the Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Certificates and the financial and other risks associated with the Certificates.

The Certificates are subject to certain restrictions on transfer

The offer and sale of the Certificates pursuant to this Offering Memorandum have not been registered under the US Securities Act and no undertaking has been made by the Issuer or Dar Al-Arkan to effect any exchange offer registered under the US Securities Act. Therefore, the Certificates may not be offered or sold in the United States except pursuant to an effective registration statement or in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act. In addition, the Issuer is not registered under the US Investment Company Act. Accordingly, the Certificates and the Agency Agreement contain provisions that restrict the Certificates from being offered, sold or otherwise transferred in the United States except to QIBs that are also QPs pursuant to the exemption from registration under the US Securities Act provided by Rule 144A, or to non-US persons within the meaning of, and in accordance with, Regulation S. Such transfer restrictions could adversely affect the liquidity of the market for the Certificates.

Failure of the Certificates to be deemed Shari'ah compliant by Shari'ah authorities other than the Shari'ah Supervisory Board of Unicorn Investment Bank B.S.C. could adversely affect the market for the Certificates

The confirmation of the Shari'ah Supervisory Board of Unicorn Investment Bank B.S.C. relating to the issue of the Certificates and confirming that, in their view, the structure described in the Transaction

Documents is Shari'ah compliant is only an expression of the views of certain Shari'ah scholars based on their own experience and is not binding on other Shari'ah authorities. Shari'ah views may vary among Shari'ah authorities due to differences in opinion, and may change from time to time. For example, to comply with a general principle of Shari'ah that the Certificates should represent common ownership of tangible assets to be tradable, the Investment Management Agreement requires the Investment Manager to ensure that no less than 51% of the face amount of the Certificates outstanding is invested in Ijara Agreements. A particular investor's standards of compliance may require a different proportion of the face amount of the Certificates outstanding to be invested in Ijara Agreements. If the Certificates are ultimately deemed not to be Shari'ah compliant with an investor's individual standard of Shari'ah compliance, such investor may be required to sell or otherwise dispose of its Certificates. Furthermore, if the Certificates are deemed not to be Shari'ah compliant by other potential investors' standards of Shari'ah compliance, they may be prohibited from buying the Certificates. Accordingly, a failure of the Certificates to be deemed Shari'ah compliant by participants in the market for the Certificates could adversely affect the liquidity and price of the Certificates.

Any credit ratings assigned to Dar Al-Arkan and the Certificates will be subject to ongoing evaluations and there can be no assurance that any ratings assigned to Dar Al-Arkan or the Certificates will not be downgraded

Dar Al-Arkan has been rated BB− by Standard & Poor's. Upon issue of the Certificates, Dar Al-Arkan and the Certificates are expected to be rated Ba2 by Moody's and the Certificates are expected to be rated BB− by Standard & Poor's. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any ratings of Dar Al-Arkan or the Certificates may not reflect the potential impact of all the risks related to the structure, market, additional factors discussed herein and other factors that may affect the value of the Certificates. In addition, real or anticipated changes in Dar Al-Arkan's credit ratings or the ratings of the Certificates could negatively affect the market value of the Certificates.

The Guarantee will be structurally subordinated to the obligations of Dar Al-Arkan's subsidiaries

None of Dar Al-Arkan's subsidiaries will guarantee the Certificates. Certificateholders will therefore not have any direct claim on the cash flows or assets of Dar Al-Arkan's subsidiaries and Dar Al-Arkan's subsidiaries have no obligation, contingent or otherwise, to pay amounts due under the Guarantee, or to make funds available to Dar Al-Arkan for those payments. Generally, claims of creditors of Dar Al-Arkan's subsidiaries, including lenders and trade creditors, will have priority with respect to the assets and earnings of the subsidiary over the claims of its ordinary shareholders, including the claims of Dar Al-Arkan. Accordingly, claims of creditors of Dar Al-Arkan's subsidiaries will also generally have priority over the claims of creditors of Dar Al-Arkan. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceedings of any of Dar Al-Arkan's subsidiaries, holders of their debt and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to Dar Al-Arkan. As such, the Guarantee will be structurally subordinated to the claims of creditors (including lenders and trade creditors) of Dar Al-Arkan's subsidiaries.

Dar Al-Arkan may not be able to repurchase the Certificates upon a Change of Control event

If Dar Al-Arkan experiences a change in control specified in the Guarantee, it must make an offer to repurchase all outstanding Certificates at 101% of their face amount, plus accrued and unpaid Periodic Distribution Amounts, if any, to the date of purchase. There can be no assurances that Dar Al-Arkan will have enough available funds at the time of any such change of control to make repurchases of tendered outstanding Certificates. Furthermore, a failure to make an offer to repurchase or to repurchase tendered Certificates would constitute a Dissolution Event under the Certificates, which could cause an acceleration of Dar Al-Arkan's payment obligations under the Guarantee, its previously issued Sukuk and other outstanding financing arrangements. If Dar Al-Arkan's payment obligations under the Guarantee, previously issued Sukuk or other financing arrangements were to be accelerated, there can be no assurance that Dar Al-Arkan's assets and cash flow would be sufficient to repay in full all such payment obligations, or that Dar Al-Arkan would be able to obtain alternative financings, or if it were to obtain alternative financings, that they would be on terms that are favorable or acceptable to Dar Al-Arkan.

If amounts due on the Certificates are not paid in full on their due date, Certificateholders will not be entitled to receive any additional amounts in respect of the period after the due date for which such amounts remain unpaid

If the Issuer fails to pay any Periodic Distribution Amount or Dissolution Distribution Amount in full on the relevant Periodic Distribution Date or the Maturity Date, the Dissolution Event Redemption Date or the Early Tax Redemption Date, as the case may be, the Issuer is not required under the Conditions to pay any additional amounts to Certificateholders in respect of the period after the relevant due date for which such amounts remain unpaid, even if the amount remains unpaid for an extended period. Furthermore, although Dar Al-Arkan is required under the Guarantee to make an additional late payment in the event it fails to make payment to the Issuer under the Guarantee on the due date for such payment, the Issuer has agreed that, in accordance with the principles of Shari'ah, any such late payment amounts received by the Issuer will be donated to charity, and will not be paid to Certificateholders.

The Certificates may be redeemed prior to the Maturity Date for tax reasons

If certain additional amounts become payable in respect of the Certificates and/or pursuant to certain Transaction Documents as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, all of the outstanding Certificates may be redeemed prior to the Maturity Date in accordance with Condition 6.3 (*Dissolution following a Tax Event*).

Certificates are subject to modification by a defined majority of the Certificateholders without the consent of all or, in some circumstances a majority, of the Certificateholders

The Declaration of Trust contains provisions for calling meetings of the Certificateholders to consider matters affecting their interests (including amendments to the terms and conditions of the Certificates). These provisions permit defined majorities to bind all of the Certificateholders, including Certificateholders who did not attend or vote at the relevant meeting as well as Certificateholders who did attend the relevant meeting, but voted in a manner contrary to the majority. In particular, amongst other things, the amount and timing for payment of any Periodic Distribution Amount or Dissolution Distribution Amount, the Issuer's covenants set out in the Declaration of Trust, Dar Al-Arkan's obligations under the Guarantee (including the covenants set out therein) and the Investment Manager's obligations under the Investment Management Agreement may be amended by an Extraordinary Resolution in respect of a Reserved Matter (each as defined in the Conditions) of Certificateholders. The quorum for convening a meeting to consider an Extraordinary Resolution in respect of a Reserved Matter is two Certificateholders, proxies or representatives holding not less than three-quarters of the aggregate face amount of outstanding Certificates. However, if a meeting to consider such Extraordinary Resolution is adjourned for want of a quorum, two Certificateholders, proxies or representatives holding not less than one quarter of the aggregate face amount of outstanding Certificates are required for the meeting to be duly convened. Such Extraordinary Resolution may be passed at a quorate Certificateholder meeting by a majority of not less than three quarters of the votes cast, which in turn means that the obligations of the Issuer, the Guarantor and the Investment Manager may, in some circumstances, be amended without the consent of a majority of Certificateholders.

There can be no assurance that the Certificates, the Guarantee and the other Transaction Documents will be enforced by a Saudi court or judicial authority

The Holy Qu'ran serves as the constitution of the Kingdom which is governed in accordance with the principles of Islamic Law (Shari'ah). All laws in the Kingdom are ultimately subject to, and are intended not to conflict with, Shari'ah principles, and each Saudi Arabian court and judicial authority is required to interpret secular legislation accordingly. Notwithstanding that certain scholars (including the Unicorn Shari'ah Supervisory Board) may deem the Certificates and the related structure described in the Transaction Documents to be Shari'ah compliant, if a claim were to be made or action were to be taken in respect of the Certificates or the Transaction Documents, a Saudi court or judicial authority would have the discretion to make its own determination whether or not the Certificates and the related structure described in the Transaction Documents (or any part thereof) complies with the laws of the Kingdom and Shari'ah principles. To the best of the Issuer's and Dar Al-Arkan's knowledge, no securities of a similar nature to the Certificates have been the subject of adjudicatory interpretation or enforcement in the Kingdom. If the views expressed by the Unicorn Shari'ah Supervisory Board are not upheld in the Kingdom then the Certificates, the Guarantee and the other Transaction Documents may be unenforceable in whole or in part in the Kingdom. Accordingly, there can be no assurance that, if a claim were to be made or action taken in respect of the Certificates, the Guarantee or the other Transaction Documents and/or the related underlying structure, Saudi court or judicial authority would interpret the payment provisions contained therein such that the Certificateholders would receive an amount equal to the amounts expressed to be payable under the Conditions.

Arbitration awards relating to disputes under the Transaction Documents may not be enforceable in the Kingdom

The parties to certain of the Transaction Documents have agreed to refer any unresolved dispute in relation to such Transaction Documents to arbitration under the Arbitration Rules of the London Court of International Arbitration. Although the Kingdom is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**"), enforcement in the Kingdom of a foreign arbitration is not certain. For example, there are a number of circumstances in which recognition of an arbitral award under the New York Convention may be declined, including where the award is contrary to the public policy of the receiving state. As a consequence, any arbitral award deemed by a court in the Kingdom as contrary to the public policy of the Kingdom may not be enforceable in the Kingdom.

The choice of English law in certain of the Transaction Documents and any judgments pursuant to English law relating to those Transaction Documents may not be enforceable in the Kingdom

Certain of the Transaction Documents are expressly governed by English law. There is uncertainty in the Kingdom regarding the enforceability of choice of law provisions. Furthermore, courts in the Kingdom are unlikely to enforce any foreign judgment without re-examining the merits of the claim, and the interpretation of English law by a court in the Kingdom may differ significantly from that of a court or arbitration panel in England. Moreover, provisions of foreign law which are deemed contrary to public policy, order or morals in the Kingdom (including Shari'ah principles), or to any mandatory law of, or applicable in, the Kingdom, may not be enforceable in the Kingdom.

The terms of the Declaration of Trust may not be enforceable in the Kingdom

The laws of the Kingdom do not recognize the concept of a trust or beneficial interests. Accordingly, there is no certainty that the terms of the Declaration of Trust (which is governed by English law) would be enforced by the courts of the Kingdom and as such, there can be no assurance that the obligations of the Trustee under the Declaration of Trust to act on behalf of the Certificateholders in accordance with their instructions (given in accordance with the terms and conditions of the Certificates) are enforceable as a matter of contract under the laws of the Kingdom.

Compliance with bankruptcy law in the Kingdom may affect Dar Al-Arkan's ability to perform its obligations under the Transaction Documents

In the event of Dar Al-Arkan's insolvency, bankruptcy laws in the Kingdom may adversely affect Dar Al-Arkan's ability to perform its obligations under the Transaction Documents to which it is a party and, in turn, affect the Issuer's ability to perform its obligations in respect of the Certificates. There is little precedent to predict how claims by or on behalf of the Certificateholders, the Issuer and/or the Delegate would be resolved in the event of Dar Al-Arkan's bankruptcy, and therefore there can be no assurance that Certificateholders will receive repayment of their claims in full or at all in these circumstances.

Claims for specific performance under the Transaction Documents may not be granted and there can be no assurances as to the level of damages that may be awarded in the event of a breach under the Transaction Documents

In the event that Dar Al-Arkan fails to perform its obligations under any Transaction Document (including the Guarantee), the potential remedies available to the Issuer and the Delegate include obtaining an order for specific performance of the relevant obligations or a claim for damages. There can be no assurance that a court will provide an order for specific performance (which is a discretionary matter) or that any order for specific performance granted by an English court will be recognized or enforced by the courts in the Kingdom. Furthermore, the amount of damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the Issuer and the Delegate to mitigate any loss arising as a result of the breach. No assurances can be provided as to the level of damages which a court may award in the event of a failure by Dar Al-Arkan to perform its obligations as set out in the Transaction Documents.

There can be no assurance as to the impact of a change in the laws governing the Certificates

The Conditions and certain of the Transaction Documents are governed by English law. Certain Transaction Documents are governed by the laws of the Kingdom. No assurance can be given as to the impact of any possible judicial decision or change to English law or the laws of the Kingdom after the date of this Offering Memorandum, nor can any assurance be given that any such change would not adversely affect the ability of Dar Al-Arkan or any of its subsidiaries to make payment under the Transaction Documents (including the underlying Ijara Agreements and Murabaha Agreements) or the Issuer to make payments under the Certificates.

It may not be possible to enforce judgments obtained in the United States against Dar Al-Arkan and its directors and officers with respect to the Certificates

Dar Al-Arkan is a joint stock company organized under the laws of the Kingdom. All of Dar Al-Arkan's directors and officers reside outside of the United States, and substantially all of Dar Al-Arkan's assets, and the assets of its directors and officers, are located outside of the United States. As a result, it may not be possible for Certificateholders to effect service of process within the United States upon Dar Al-Arkan or its directors and officers, or to enforce against them in federal or state courts in the United States judgments predicated upon civil liability provisions of the federal securities laws of the United States. In addition, there is uncertainty as to the enforceability in the courts of the Kingdom of judgments of US courts obtained in actions predicated upon the civil liability provisions of the US federal securities laws, or as to the enforceability in original actions in the courts of the Kingdom, of liabilities predicated solely upon the US federal securities laws. Furthermore, courts in the Kingdom are unlikely to enforce any foreign judgment without re-examining the merits of the claim and the interpretation of US federal securities laws by an adjudicatory authority in the Kingdom may differ significantly from a court in the United States.

Certain Certificateholders may be exposed to currency conversion risks due to the Certificates being denominated in US dollars

Payments to Certificateholders will be made in US Dollars. If an investor's financial activities are principally denominated in a currency other than US Dollars, it will be subject to certain currency conversion risks. These risks include: (i) the risk that exchange rates may significantly change (including changes due to devaluation of the US Dollar or revaluation of the investor's currency); and (ii) the risk that authorities with jurisdiction over the investor's currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. In recent years, exchange rates between certain currencies have been volatile and such exchange rate volatility with a variety of currencies may continue in the future. Any appreciation of an investor's currency relative to the US Dollar would decrease the investor's currency-equivalent value of the Periodic Distribution Amounts payable in respect of the Certificates, the investor's equivalent value of the Dissolution Distribution Amount payable on the Certificates, and the investor's currency equivalent market value of the Certificates. In addition, exchange controls could adversely affect the availability of a specified foreign currency at the time of payment of amounts on a Certificate. As a result, investors may receive less than expected, or no payment at all.

If payments relating to the Certificates are made in European Union Member States that apply withholding taxes to comply with the European Union Savings Directive, neither the Issuer nor any other person would be obliged to pay additional amounts with respect to any Certificate as a result of the imposition of such withholding taxes

The European Union has adopted European Council Directive 2003/48/EC (the "**Savings Directive**") regarding the taxation of savings income. The Savings Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual or to certain other persons in another Member State. Certain Member States, including Austria and Luxembourg, instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. Although the Issuer is required, in accordance with Condition 7.4 (*Agents*) of the Terms and Conditions of the Certificates, to maintain a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council Meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, the Savings Directive, additional Paying Agents may also be maintained in Member States that impose a withholding system or other countries which have adopted similar measures to the Savings Directive. If a payment were to be made or collected through a Member State which has opted for a withholding system, or through another country that has adopted similar measures, and an amount of or in respect of tax were to be withheld from that payment, neither the Issuer, a Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Certificate as a result of the imposition of such withholding tax.

Investors in the Certificates must rely on DTC, Euroclear and Clearstream, Luxembourg procedures, including with respect to trading, payments and voting relating to the Certificates

The Certificates will be represented on issue by one or more Global Certificates that may be deposited with and registered in the name of a nominee for a custodian, in the case of DTC, and a common depositary, in the case of Euroclear and Clearstream, Luxembourg. Except in the limited circumstances described in each Global Certificate, investors will not be entitled to receive Certificates in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Certificate held through it. While the Certificates are represented by a Global Certificate, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants and the Issuer will discharge its payment obligations under the Certificates by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the Certificates. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Certificate. Furthermore, holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the Certificates so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

The Certificates are complex instruments and may not be a suitable investment for all investors

Each potential investor in the Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained in this Offering Memorandum;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates or where the currency for principal is different from the potential investor's currency;
- understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of an independent financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

In addition, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain governmental or regulatory authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) Certificates constitute legal investments for it; (ii) Certificates can be used as collateral for various types of borrowing; and (iii) other restrictions apply to any purchase or pledge of any Certificates by the investor. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules and regulations.

USE OF PROCEEDS

Dar Al-Arkan expects that the net proceeds from the offering of the Certificates will be approximately US$435.8 million, after deducting estimated expenses of approximately US$10.0 million related to the offering. Pursuant to the Investment Management Agreement, the net proceeds will be invested by the Issuer through the Investment Manager to invest in a single portfolio of investments comprising Ijara Agreements and Murabaha Agreements entered into between the Investment Manager and other subsidiaries of Dar Al-Arkan in accordance with the Investment Plan. Dar Al-Arkan intends for its subsidiaries to use the proceeds received through such Ijara Agreements and Murabaha Agreements to fund current and future development projects.

CAPITALIZATION

The table below shows Dar Al-Arkan's capitalization as of December 31, 2009, and as adjusted to reflect the sale of the Certificates. This table should be read together with the sections entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Use of Proceeds*" and "*Description of Other Indebtedness*", and with the Audited Financial Statements included herein.

	December 31, 2009	
	Actual	**As Adjusted**
	SAR'000	
Debt:		
Short term		
Bank financing	450,000	450,000
Islamic sukuk	2,250,000	2,250,000
Long term		
Bank financing	1,154,742	1,154,742
Islamic sukuk	4,500,000	6,132,071
Total debt	**8,354,742**	**9,986,813**
Equity		
Share capital	10,800,000	10,800,000
Statutory reserve	462,268	462,268
Retained earnings	2,596,908	2,596,908
Total equity attributable to Dar Al-Arkan shareholders	**13,859,176**	**13,859,176**
Total capitalization	**22,213,918**	**23,845,989**

Except as disclosed herein, there have been no material changes in Dar Al-Arkan's capitalization since December 31, 2009.

SELECTED FINANCIAL DATA

The following tables set forth Dar Al-Arkan's selected financial data as of and for the years ended December 31, 2009, 2008 and 2007.

The selected financial data as of and for the years ended December 31, 2009 and 2008 have been derived from the 2009 & 2008 Audited Financial Statements included herein. The selected financial data as of and for the year ended December 31, 2007 have been derived from the comparative financial information for year ended December 31, 2007 included in the 2008 Audited Financial Statements. This comparative financial information for year ended December 31, 2007 is based on the 2007 Audited Financial Statements included herein, although the presentation of the comparative financial information as of and for the year ended December 31, 2007 included in the 2008 Audited Financial Statements differs from the presentation in the 2007 Audited Financial Statements due to adjustments made to certain items to conform to the presentations in the 2009 & 2008 Audited Financial Statements. The adjusted selected financial data as of and for the year ended December 31, 2007 have been presented for comparative purposes only, and were not subject to the audit report accompanying the 2007 Audited Financial Statements. For a discussion of the material adjustments made to certain items as of and for the year ended December 31, 2007, see *"Presentation of Financial and Other Information"* on page (v) of this Offering Memorandum.

The Kingdom follows a fixed exchange rate policy under which the Saudi Riyal is pegged to the US Dollar at the exchange rate of US$1 = SAR3.745.

The selected financial data should be read in conjunction with, and is qualified in its entirety by reference to, the information contained in "*Presentation of Financial and Other Information*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the Audited Financial Statements included herein.

Statement of Income Data

	Year Ended December 31,		
	2009	**2008**	**2007**
		SAR'000	
Revenue	5,464,053	5,610,768	4,925,933
Cost of sales	(2,956,916)	(2,765,587)	(2,517,924)
Gross profit	**2,507,137**	**2,845,181**	**2,408,009**
General, administrative, selling and marketing expenses	(146,423)	(151,630)	(82,855)
Depreciation	(17,531)	(22,253)	(18,441)
Share of loss from investment in associate	(4,640)	—	—
Finance income	—	4,377	48,941
Finance cost	(168,567)	(271,523)	(318,840)
Other income	2,703	12,518	351
Profit before zakat	**2,172,679**	**2,416,670**	**2,037,165**
Zakat expense	(50,000)	(60,423)	(28,591)
Net profit for the year	**2,122,679**	**2,356,247**	**2,008,574**
Attributable to:			
Dar Al-Arkan shareholders:	**2,122,679**	**2,356,247**	**2,008,574**
Non-controlling interests:	**—**	**—**	**—**

Statement of Financial Position Data

	As of December 31,		
	2009	2008	2007
		SAR'000	
Cash and cash equivalents	2,223,495	716,475	3,346,865
Investment properties	1,518,167	591,238	241,689
Development properties	17,410,139	14,747,282	12,560,717
Total assets	23,596,790	20,163,980	18,374,327
Total borrowings(1)	8,354,742	7,635,000	6,400,000
Equity attributable to Dar Al-Arkan shareholders	13,859,176	11,736,496	11,000,249

(1) Total borrowings represent long-term borrowings and short-term borrowings as reflected on the statement of financial position of Dar Al-Arkan.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of Dar Al-Arkan's financial condition and results of operations as of and for the years ended December 31, 2009, 2008 and 2007. The following discussion and analysis should be read in conjunction with the information in "Presentation of Financial and Other Information" on page (v) of this Offering Memorandum and the Audited Financial Statements included herein.

The following discussion contains forward looking statements. Dar Al-Arkan's actual results could differ materially from those anticipated in these forward looking statements as a result of various factors including those discussed below and elsewhere in this Offering Memorandum, particularly those discussed in the "Risk Factors" section of this Offering Memorandum.

Overview

Dar Al-Arkan is a leading real estate developer in the Kingdom. Dar Al-Arkan is involved in all major aspects of real estate development, including sourcing and purchasing land, overseeing design and construction and marketing and sales.

Dar Al-Arkan's operations are focused principally on Land Projects and Residential and Commercial Projects. For the years ended December 31, 2009 and 2008, revenues generated from Land Projects were SAR4.9 billion (US$1.3 billion) and SAR4.6 billion (US$1.2 billion), respectively, which accounted for 90.5% and 82.3%, respectively, of Dar Al-Arkan's total revenues. For the years ended December 31, 2009 and 2008, Residential and Commercial Projects revenues were SAR519 million (US$138 million) and SAR990 million (US$264 million), respectively, which accounted for 9.5%, and 17.7%, respectively, of Dar Al-Arkan's total revenues.

In 2006, Dar Al-Arkan significantly increased the scope of its Residential and Commercial Projects when it began development of the Al-Qasr project, its first Master-Planned Community. Management expects Dar Al-Arkan's Residential and Commercial Projects to be increasingly Master-Planned Communities and for the proportion of Dar Al-Arkan's total revenues derived from Residential and Commercial Projects to increase over time. The contribution of Residential and Commercial Projects to total revenues during the years ended December 31, 2009 and 2008 decreased compared to prior periods due in part to a combination of the longer development cycle for Master-Planned Communities and the decision to retain certain residential units on Master-Planned Communities as rental properties.

Dar Al-Arkan has begun to expand its business to include property management by retaining as rental properties certain commercial and residential units on its Master-Planned Communities. By retaining such units, management intends to create an income generating portfolio of rental properties with a goal of establishing a more steady revenue stream and to enable Dar Al-Arkan to benefit from any potential appreciation in the value of such properties. As of December 31, 2009, no significant revenues had been generated from property management operations. Management expects Dar Al-Arkan to begin generating revenues from the leasing of commercial space on the ground levels of apartment buildings and certain apartments on the Al-Qasr Master-Planned Community during 2010. In addition, the office building and commercial mall currently being constructed on the Al-Qasr project are expected to begin generating leasing revenues in 2010 and 2011, respectively.

Dar Al-Arkan makes strategic investments in companies that management believes are complementary to Dar Al-Arkan's real estate development operations. As of December 31, 2009, Dar Al-Arkan had made minority investments in such companies that ranged between 15% and 34%, and totaled SAR1.2 billion (US$320 million). For the years ended December 31, 2009 and 2008, Dar Al-Arkan's share in the profits and losses of such companies contributed to less than 1% to Dar Al-Arkan's net profit.

Certain Factors Affecting Dar Al-Arkan's Financial Condition and Results of Operations

Macroeconomic and Other Trends in the Kingdom

All of Dar Al-Arkan's current land bank and all of its past and current Land Projects and Residential and Commercial Projects are located in the Kingdom. As a result, macroeconomic, demographic and other trends relating to the Kingdom have impacted and will continue to impact Dar Al-Arkan's operating profit from period to period.

The economy of the Kingdom is largely dependent on the price of oil. For the years ended December 31, 2008 and 2007 the average nominal price per barrel of Arabian Light oil was US$95.16 and US$68.75 respectively, according to the SAMA Report. During the years ended December 31, 2008 and 2007 real GDP increased in the Kingdom by 4.4% and 3.3%, respectively, according to the SAMA report. Real GDP is expected to contract by 0.9% and to increase by 4.0% in the years ending December 31, 2009 and 2010, respectively, according to the IMF World Economic Outlook (October 2009) (the "**IMF Report**"). Management believes these macroeconomic factors have affected operating profits during the periods discussed herein and will continue to affect operating profits in future periods.

The population of Saudi citizens in the Kingdom grew at a rate of 2.4% per year from 2000 through 2008 and is expected to reach approximately 29 million people by the end of 2014, according to the Saudi Arabian Ministry of Economy and Planning's Eighth Development Plan (2005-2009) (the "**Eighth Development Plan**"). In addition, approximately 59% of Saudi citizens in the Kingdom were under the age of 30 and approximately 40% of Saudi citizens in the Kingdom were under the age of 15 as of the end of 2004, according to the Eighth Development Plan. Average household sizes declined from 6.1 people in 1992 to 5.5 people in 2004 and current forecasts expect a drop to 5.1 by 2020. These factors are expected to create a need in the Kingdom for approximately 1.1 million new homes by 2014, according to the Saudi Arabian Ministry of Economy and Planning. In addition, the middle-income segment of the population in the Kingdom is expected to grow due in part to government initiatives such as the establishment of new universities and regulations that require companies in the Kingdom to employ a certain number of citizens of the Kingdom.

In recent years a home finance market has started to develop in the Kingdom. However, current government and private sources of home financing have not been able to address the level of demand. The government is expected to introduce a new mortgage financing law in 2010 which will detail lending terms and conditions along with rights and obligations of lenders and buyers. The clarity of lending parameters and the standardization of practices that this new law is expected to create may make home financing more prevalent in the Kingdom, particularly among the middle-income market segment. Management believes this could contribute to increases in demand for housing which could affect the average selling price per units sold on Dar Al-Arkan's Residential and Commercial Projects. For a more detailed discussion of macroeconomic and other trends in the Kingdom and the real estate development sector of the Kingdom, see "*Overview of the Kingdom*" and "*Overview of the Real Estate Sector in the Kingdom*".

Number of Land Projects Sold

Land Project revenues are generated from the sale of land. Dar Al-Arkan recognizes revenue for the total sales price of land at the time of the legal completion of the sale, which is when the sales contract is signed. Typically, a deposit is received from the buyer at the time the sales contract is signed. The balance of the sales price typically is paid within a three month period after the sales contract is signed. Land Project revenues may vary from period to period depending on the number and timing of sales contracts signed during a period.

Number and Type of Residential Units Delivered to Buyers

Residential and Commercial Project revenues are generated from the sale of residential units. Dar Al-Arkan recognizes revenue from the sale of residential units when it delivers a completed residential unit to a buyer. Revenues from Residential and Commercial Projects may vary from period to period depending on the number and type of residential units delivered during a period.

Dar Al-Arkan's Master-Planned Communities contain more residential units than its past projects but they also have longer development cycles than past projects. In addition, Dar Al-Arkan has begun to expand its business to include property management by retaining certain residential units on its Master-Planned Communities as rental properties. The longer development cycles of Master-Planned Communities and the mix of residential units delivered for sale and retained as rental properties on Master-Planned Communities may result in fluctuations in revenues from Residential and Commercial Projects from period to period.

In 2006, Dar Al-Arkan began development of Al-Qasr, its first Master-Planned Community. The longer development cycle of this project and the decision to retain 1,318 of the 3,051 residential units on the project as rental properties affected the number of completed residential units delivered to home buyers during the years ended December 31, 2009 and 2008. In addition, management does not expect delivery of residential units on its second Master-Planned Community, Shams Ar Riyadh, to begin until early 2011. Therefore, management expects the number of residential units delivered to home buyers to decline during 2010 compared to previous years.

Revenues from Residential and Commercial Projects may also fluctuate from period to period due to the market segment targeted by different projects and the type of residential units contained on projects. Certain of Dar Al-Arkan's Residential and Commercial Projects are targeted toward the higher end of the middle-income segment, while others are targeted towards the lower end of the middle-income segment. Dar Al-Arkan's projects may also contain different mixes of residential units, such as various types of villas and apartments. Villas typically generate a higher average selling price per unit than apartments.

Dar Al-Arkan's Al-Qasr Master-Planned Community is targeted towards the lower end of the middle-income segment and 1,479 of the 1,733 residential units for sale on the project are apartments. These factors contributed to lower average selling prices per residential unit during the years ended December 31, 2009 and 2008 compared to prior periods. Dar Al-Arkan's Shams Ar Riyadh Master-Planned Community is targeted towards the higher end of the middle-income segment and all of the 2,694 residential units on the project will be villas. Management believes that the average selling price per residential unit on the Shams Ar Riyadh project will be higher than on the Al-Qasr project.

Location of Land Projects and Residential and Commercial Projects

Land Project and Residential and Commercial Project revenues may vary from period to period depending on the location of land sold and the location of the Residential and Commercial Projects on which residential units were sold and delivered during the periods. Sales prices can vary depending on a number of factors relating to location of land or Residential and Commercial Projects in the Kingdom, including the region in which they are located and their proximity to, or location within, major cities. For the three years ended December 31, 2009, Dar Al-Arkan generated approximately 53% of its revenues from sales in Riyadh and the Central Region, 31% from Jeddah and the Western Region and 16% from the Eastern Province.

Cost of Land and Construction

Dar Al-Arkan's cost of sales primarily consists of land acquisition costs and amounts paid to contractors. Dar Al-Arkan recognizes cost of sales for its Land Projects and Residential and Commercial Projects in the same periods in which it recognizes revenues from sales from the related projects. Therefore, cost of sales for a particular period may include costs incurred in prior periods. Dar Al-Arkan generally contracts to develop Residential and Commercial Projects in different phases, which limits its overall cost exposure to projects and provides flexibility to react to market demands in the development of projects. Amounts paid to contractors are affected by construction costs, such as costs of labor and costs of construction materials. Dar Al-Arkan's cost of sales and gross profit may fluctuate from period to period due to volatility in such construction costs.

In recent years, volatility in construction costs has affected Dar Al-Arkan's cost of sales from period to period. However, such volatility has not affected negatively gross profit during these periods as Dar Al-Arkan was generally able to reflect the cost increases in its sales prices. Management expects continued volatility in construction costs and this could cause period to period fluctuations in cost of sales and gross profit.

Mix of Land Projects and Residential and Commercial Projects

Due to the cost of inputs associated with completing Land Projects relative to those required for developing Residential and Commercial Projects, the gross margins from Land Projects tend to be higher than gross margins from Residential and Commercial Projects. As a result, Dar Al-Arkan's gross margins may fluctuate from period to period depending on the mix of revenues and costs of sales recognized from Land Projects and Commercial and Residential Projects during the periods.

Results of Operations

The following table sets forth certain summary financial data for the years ended December 31, 2009, 2008 and 2007.

Consolidated Statement of Operations	Year ended December 31, 2009	2008	2007
		SAR'000	
Revenues	5,464,053	5,610,768	4,925,933
Cost of sales	(2,956,916)	(2,765,587)	(2,517,925)
Gross profit	**2,507,137**	**2,845,181**	**2,408,008**
Gross margin (%)	45.9%	50.7%	48.9%
Operating expenses	(163,954)	(173,883)	(101,296)
Income from operating activities	**2,343,183**	**2,671,298**	**2,306,712**
Share of loss from investment in associate	(4,640)	—	—
Finance costs	(168,567)	(271,523)	(318,840)
Finance income	—	4,377	48,941
Other income	2,703	12,518	351
Zakat expense	(50,000)	(60,423)	(28,591)
Net Income for the year	**2,122,679**	**2,356,247**	**2,008,573**

The following table sets forth certain summary financial data relating to Dar Al-Arkan's two core areas of operations: Land Projects and Residential and Commercial Projects, for the years ended December 31, 2009, 2008 and 2007.

	Year ended December 31, 2009	2008	2007
		SAR'000	
Land Project revenues	4,944,732	4,620,393	3,604,756
Contribution to total revenues (%)	90.5%	82.3%	73.2%
Residential and Commercial Project revenues	519,321	990,375	1,321,177
Contribution to total revenues (%)	9.5%	17.7%	26.8%
Total revenues from operations	**5,464,053**	**5,610,768**	**4,925,933**
Land Project cost of sales	(2,558,603)	(2,198,658)	(1,820,448)
Residential and Commercial Project cost of sales	(398,313)	(566,929)	(697,477)
Total cost of sales	**(2,956,916)**	**(2,765,587)**	**(2,517,925)**
Gross profit for Land Projects	2,386,129	2,421,735	1,784,308
Gross profit for Residential and Commercial Projects	121,008	423,446	623,700
Total gross profit	**2,507,137**	**2,845,181**	**2,408,008**
Gross margin for Land Projects (%)	48.3%	52.4%	49.5%
Gross margin for Residential and Commercial Projects (%)	23.3%	42.8%	47.2%
Total gross margin (%)	**45.9%**	**50.7%**	**48.9%**

The following table sets forth certain additional data relating to Dar Al-Arkan's two core areas of operations: Land Projects and Residential and Commercial Projects, for the years ended December 31, 2009, 2008 and 2007.

	Year ended December 31,		
	2009	2008	2007
Land Projects			
Area sold (sq.m.)	8,475,981	7,488,643	4,302,372
Weighted average selling price/sq.m. (SAR)	583	617	838
Weighted average cost of sales/sq.m. (SAR)	302	294	423
Residential and Commercial Projects			
Units sold	974	1,101	1,220
Average selling price of units sold (SAR'000)	533	899	1,083
Average costs of units sold (SAR'000)	409	515	572
Residential area sold (sq.m.)	186,087	297,200	517,156
Weighted average selling price/sq.m (SAR)	2,791	3,332	2,555

Results of Operations for the Year Ended December 31, 2009 Compared to the Year Ended December 31, 2008

Revenues

Revenues for the year ended December 31, 2009 were SAR5.5 billion (US$1.5 billion), a 2.6% decrease compared to SAR5.6 billion (US$1.5 billion) for the year ended December 31, 2008.

Revenues from Land Projects for the year ended December 31, 2009 were SAR4.9 billion (US$1.3 billion), a 7.0% increase compared to revenues of SAR4.6 billion (US$1.2 billion) for the year ended December 31 2008. The increase was due to an increase in total area of land sold, which offset a slight decrease in the weighted average selling price per square meter. For the year ended December 31, 2009, 8.5 million square meters of land was sold, compared to 7.5 million square meters for the year ended December 31, 2008. For the year ended December 31, 2009, the weighted average selling price per square meter of land sold was SAR583 (US$155), which was 5.5% less than the weighted average selling price per square meter of SAR617 (US$165) for the year ended December 31, 2008. The decrease in weighted average selling price per square meter was due to the different locations of the land sold during the periods and a general weakening in the real estate market in the Kingdom during the year ended December 31, 2009 period compared to the year ended December 31, 2008.

Revenues from Residential and Commercial Projects for the year ended December 31, 2009 were SAR519 million (US$138 million), a 47.6% decrease compared to revenues of SAR990 million (US$264 million) for the year ended December 31, 2008. The decrease was due to the mix of residential units sold and a decrease in the number of residential units sold. For the year ended December 31, 2009, revenues were primarily generated from sales of apartments at the Al-Qasr project. For the year ended December 31, 2008, revenues were also generated from sales of villas at the Ishbiliah project. For the year ended December 31, 2009, 974 residential units were sold compared to 1,101 residential units sold for the year ended December 31, 2008. The decrease in residential units sold was directly related to the timing of delivery of units in Master-Planned Communities, which typically have a longer development cycle than projects which contain only residences, as well as the decision to retain certain residential units on the Al-Qasr Master-Planned Community as rental properties.

Cost of Sales

Cost of sales for the year ended December 31, 2009 were SAR3.0 billion (US$800 million), a 6.9% increase compared to SAR2.8 billion (US$747 million) for the year ended December 31, 2008.

Land Project cost of sales for the year ended December 31, 2009 was SAR2.6 billion (US$693 million), a 16.4% increase compared to SAR2.2 billion (US$586 million) for the year ended December 31, 2008. The increase was primarily related to the increase in total area of land sold during the period in 2009 compared to the period in 2008. For the year ended December 31, 2009, the weighted average cost of sales per square meter was SAR302 (US$81), a 2.7% increase compared to SAR294 (US$78) for the year ended December 31, 2008. The increase was primarily due to differences in acquisition costs of land sold during the two years due to different locations of such land.

Residential and Commercial Project cost of sales for the year ended December 31, 2009 were SAR398 million (US$106 million), a 29.7% decrease compared to SAR567 million (US$151 million) for the year ended December 31, 2008. The decrease was primarily related to the decrease in number of units sold during the year ended December 31, 2009 compared to the year ended December 31, 2008. The decrease was also related to the difference in mix of units sold during the two years, as the apartments sold at Al-Qasr during the year ended December 31, 2009 had lower costs of construction than the villas sold at Ishbiliah during the year ended December 31, 2008.

Gross Profit

Gross profit for the year ended December 31, 2009 was SAR2.5 billion (US$666 million), an 11.9% decrease compared to SAR2.8 billion (US$747 million) for the year ended December 31, 2008.

Gross profit from Land Projects for each of the years ended December 31, 2009 and 2008 was SAR2.4 billion (US$639 million).

Gross profit from Residential and Commercial Projects for the year ended December 31, 2009 were SAR121 million (US$32 million), a 71.4% decrease compared to SAR423 million (US$113 million) for the year ended December 31, 2008. This decrease was due to the changes in Residential and Commercial Projects revenues and cost of sales discussed above.

Income From Operating Activities

Income from operating activities for the year ended December 31, 2009 was SAR2.3 billion (US$613 million), a 12.3% decrease compared to SAR2.7 billion (US$720 million) in the year ended December 31, 2008. Operating expenses were relatively unchanged between the two periods, and were SAR164 million (US$44 million) and SAR174 million (US$46 million) for the years ended December 31, 2009 and 2008, respectively.

Finance Costs

Finance costs for the year ended December 31, 2009 were SAR169 million (US$45 million), compared to SAR272 million (US$73 million) in the year ended December 31, 2008. The decrease was primarily the result of lower interest rates during the year ended December 31, 2009 compared to the year ended December 31, 2008.

Zakat Expense

Zakat expense for the year ended December 31, 2009 was SAR50 million (US$13 million) compared to SAR60 million (US$16 million) in the year ended December 31, 2008. The decrease was directly related to the difference in profit before zakat between the two years.

Net Income

Net income for the year ended December 31, 2009 was SAR2.1 billion (US$559 million), a 9.9% decrease compared to SAR2.4 billion (US$639 million) in the year ended December 31, 2008. This decrease was due to the changes in the items discussed above.

Results of Operations for the Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007

Revenues

Revenues for the year ended December 31, 2008 were SAR5.6 billion (US$1.5 billion), a 13.9% increase compared to SAR4.9 billion (US$1.3 billion) for the year ended December 31, 2007.

Land Project revenues for the year ended December 31, 2008 were SAR4.6 billion (US$1.2 billion), a 28.1% increase compared to SAR3.6 billion (US$960 million) for the corresponding period in 2007. This increase was due to an increase in completed Land Projects and total area of land sold, which offset a decrease in the weighted average selling price per square meter. For the year ended December 31, 2008, 7.5 million square meters of land was sold, compared to 4.3 million square meters for the year ended December 31, 2007. The increase in land sold was due to general growth in the Kingdom's real estate market during the first half of 2008. For the year ended December 31, 2008, the weighted average selling price of land sold was SAR617 (US$165) per square meter, which was 26.4% less than the weighted average selling price per square meter of SAR838 (US$223) for the year ended December 31, 2007. The decrease in weighted average selling price per square meter was mainly due to the different locations of the land sold during the periods, as well as a general weakening in the real estate market in the Kingdom during the second half of 2008.

Residential and Commercial Project revenues for the year ended December 31, 2008 were SAR990 million (US$264 million), a 25.0% decrease from SAR1.3 billion (US$347 million) for the year ended December 31, 2007. The decrease in revenues was primarily due a decrease in the number of units sold in 2008. For the year ended December 31, 2008, 1,101 residential units were sold compared to 1,220 residential units sold for the year ended December 31, 2007. The decrease in residential units sold was directly related to the timing of delivery of units in Master-Planned Communities, which typically have a longer development cycle than projects which contain only residences, as well as a general weakening in the real estate market in the Kingdom during the second half of 2008. The decrease in revenues was also due to a decrease in the average selling price per units sold. For the year ended December 31, 2008, the average selling price per units sold was SAR899,000 (US$240,000) a 17.0% decrease from SAR1.1 million (US$293,000) for the year ended December 31, 2007. This decrease in average selling price per units sold was due the commencement of apartment sales as the Al-Qasr project, which is targeted to the lower bracket of the middle-income market, as well as a general weakening in the real estate market in the Kingdom during the second half of 2008.

Cost of Sales

Cost of sales for the year ended December 31, 2008 were SAR2.8 billion (US$747 million), a 9.8% increase compared to SAR2.5 billion (US$667 million) for the year ended December 31, 2007.

Land Project cost of sales for the year ended December 31, 2008 were SAR2.2 billion (US$587 million), a 20.8% increase compared to SAR1.8 billion (US$480 million) for the year ended December 31, 2007. This increase was directly related to the increase in total area of land sold. For the year ended December 31, 2008, the average cost of sales per square meter was SAR294 (US$78), a 30.5% decrease compared to SAR423 (US$113) for the year ended December 31, 2007. The decrease was primarily due to differences in acquisition costs of land sold during the periods due to different locations of such land which offset increases in construction costs.

Residential and Commercial Project cost of sales for the year ended December 31, 2008 were SAR567 million (US$151 million), a 18.7% decrease compared to SAR697 million (US$186 million) for the year ended December 31, 2007. The decrease in cost of sales was related to the decrease in units sold and the mix of units sold. During 2008, Dar Al-Arkan started to sell apartments at its Al-Qasr project, which have lower construction costs than villas sold during 2007. These factors offset general increases in construction costs during 2008 compared to 2007.

Gross Profit

Gross profit for the year ended December 31, 2008 was SAR2.8 billion (US$747 million), an 18.2% increase compared to SAR2.4 billion (US$640 million) for the year ended December 31, 2007.

Gross profit from Land Projects for the year ended December 31, 2008 was SAR2.4 billion (US$640 million), a 35.7% increase compared to SAR1.8 billion (US$480 million) for the year ended December 31, 2007. The increase was due to the changes in Land Projects revenues and Land Projects cost of sales discussed above.

Gross profit from Residential and Commercial Projects for the year ended December 31, 2008 was SAR423 million (US$113 million), a 32.1% decrease compared to SAR624 million (US$166 million) for the year ended December 31, 2007. The decrease was due to the changes in Residential and Commercial Projects revenues and Residential and Commercial Projects cost of sales discussed above.

Income From Operating Activities

Income from operating activities for the year ended December 31, 2008 was SAR2.7 billion (US$720 million), a 15.8% increase compared to SAR2.3 billion (US$613 million) for the year ended December 31, 2007. The increase in gross profit in the year ended December 31, 2008 compared to December 31, 2007 was partially offset by increases in general, administrative, selling and marketing expenses for the year ended December 31, 2008 due to increased levels of staff and increased marketing activities relating to the commencement of sales on the Al-Qasr project during 2008.

Finance Income

Finance income for year ended December 31, 2008 was SAR4.4 million (US$1.2 million) compared to SAR49 million (US$13 million) for the year ended December 31, 2007. This decrease is directly related to income generated from excess cash in the year ended 2007 as a result of the two international offerings of Sukuk during 2007.

Financing Costs

Financing costs for the year ended December 31, 2008 were SAR272 million (US$73 million), a 14.8% decrease compared to SAR319 million (US$85 million) for the year ended December 31, 2007. The decrease was primarily related to lower interest rates in the year ended December 31, 2008.

Other Income

Other income for the year ended December 31, 2008 was SAR13 million (US$3.5 million), compared to SAR0.4 million (US$0.1 million) for the year ended December 31, 2007. The difference reflects an increase in income from investments during the year ended December 31, 2008.

Zakat Expense

Zakat expense for the year ended December 31, 2008 was SAR60 million (US$16 million), compared to SAR29 million (US$7.7 million) for the year ended December 31, 2007. The difference reflects an increase in net profit during the year ended December 31, 2008.

Net Income

Net income for the year ended December 31, 2008 was SAR2.4 billion (US$640 million), a 17.3% increase compared to SAR2.0 billion (US$533 million) for year ended December 31, 2007. This increase was due to the changes in the items discussed above.

Liquidity and Capital Resources

Dar Al-Arkan operates a capital intensive business and requires significant amounts of cash to satisfy its working capital and capital expenditures requirements, as well as to meet its debt obligations. In addition, the relative lack of "off-plan" and "pre-finished" home sales in the Kingdom requires Dar Al-Arkan to rely on cash generated from Land Project and Residential and Commercial Project revenues and funds from external financings to fund its Residential and Commercial Projects.

Prior to 2007, Dar Al-Arkan primarily relied on cash from operations to meet its working capital and capital expenditure requirements. Since 2007, Dar Al-Arkan has relied on a combination of cash from operations and financings from domestic banks and the domestic and international capital markets to fund the expansion of its operations. In the past three years, Dar Al-Arkan raised funds in three offerings of Sukuk, two international offerings in 2007 for US$600 million and US$1 billion, and one domestic offering in May 2009 for SAR750 million (US$200 million). The principal amounts of the US$600 million, US$1 billion and SAR750 million (US$200 million) Sukuk are due to be repaid on March 7, 2010, July 16, 2012 and April 15, 2014, respectively. In the past three years Dar Al-Arkan has also entered into other debt facilities with various domestic banks in an aggregate amount of SAR1.7 billion (US$453 million). For a discussion of Dar Al-Arkan's outstanding Sukuk and other debt facilities, see "*Description of Other Indebtedness*".

For the next twelve months, management believes that cash from the sources discussed above will be sufficient to fund Dar Al-Arkan's working capital needs, the planned development of the Al-Qasr and Shams Al Riyadh Master-Planned Communities and the repayment of debt that comes due during this period. However, Dar Al-Arkan will require additional financing to fund capital expenditures relating to its other development projects and to support the future growth of its business.

__Sources and Uses of Cash__

The following table sets out Dar Al-Arkan's cash and cash equivalents as of the beginning and end of the periods presented and cash flows for the periods presented:

	As of\ year ended December 31,		
	2009	2008	2007
		SAR'000	
Net cash from/(used in) operating activities	1,497,140	(873,771)	(998,535)
Net cash from/(used in) investing activities	(974,603)	(1,371,619)	(281,220)
Net cash from/(used in) financing activities	984,483	(385,000)	4,365,976
Increase/(decrease) in cash and cash equivalents	1,507,020	(2,630,390)	3,086,221
Cash and cash equivalents at beginning of period	716,475	3,346,865	260,644
Cash and cash equivalents at end of period	2,223,495	716,475	3,346,865

Cash and cash equivalents stood at SAR2.2 billion (US$586 million) as of December 31, 2009, compared to SAR716 million (US$191 million) and SAR3.3 billion (US$880 million) as of December 31, 2008 and 2007, respectively.

Net Cash From/(Used in) Operating Activities

Net cash from operating activities was SAR1,497 million (US$399 million) for the year ended December 31, 2009, compared to net cash used in operating activities of SAR874 million (US$233 million) and SAR999 million (US$266 million) for the years ended December 31, 2008 and 2007, respectively. The difference in net cash from/(used in) operating activities in the year ended December 31, 2009 compared to the years ended December 31, 2008 and 2007 was primarily due to a decrease in acquisitions of undeveloped land and a general improvement in working capital during the year ended December 31, 2009 compared to the years ended December 31, 2008 and 2007.

Net Cash From/(Used in) Investing Activities

Net cash used in investing activities was SAR975 million (US$260 million) for the year ended December 31, 2009 compared to net cash used in investing activities of SAR1.4 billion (US$373 million) and SAR281 million (US$75 million) for the years ended December 31, 2008 and 2007, respectively. The decrease in net cash used in investing activities for year ended December 31, 2009 compared to the year ended December 31, 2008 was primarily related to a lower level of strategic minority investments made during the year ended December 31, 2009 compared to the year ended December 31, 2008. The increase in net cash used in investing activities for year ended December 31, 2008 compared to the year ended December 31, 2007 was primarily related to strategic minority investments and the construction of rental properties on the Al-Qasr Master-Planned Community during the year ended December 31, 2008.

Net Cash From/(Used in) Financing Activities

Net cash from financing activities was SAR984 million (US$262 million) for the year ended December 31, 2009, compared to net cash used in financing activities of SAR385 million (US$102 million) for the year ended December 31, 2008 and net cash from financing activities of SAR4.4 billion (US$1.2 billion) for the year ended December 31, 2007. The differences in net cash from/(used in) financing activities between the three years were primarily due to the level of funds raised from domestic banks and international capital markets and the decision to not pay a dividend for the year ended December 31, 2008. During the year ended December 31, 2009, Dar Al-Arkan raised SAR920 million (US$245 million) through a domestic offering of Sukuk and financings with domestic banks. In the year ended December 31, 2008, Dar Al-Arkan obtained SAR1.2 billion (US$329 million) in bank financings, while in the year ended December 31, 2007 it raised an aggregate of SAR6.0 billion (US$1.6 billion) in two international offerings of Sukuk. Dar Al-Arkan paid dividends of SAR1.6 billion (US$432 million) in each of 2008 and 2007 relating to the years ended 2007 and 2006, respectively.

Summary of Contractual Obligations

The following table summarizes Dar Al-Arkan's contractual obligations as of December 31, 2009, and also indicates in which future periods payments under these obligations will come due.

Contractual Obligations (SAR'000)	Total	< 1 year	1-3 years	3-5 years	> 5 years
Borrowings[1]	8,354,742	2,700,000	4,754,742	900,000	—
Operating lease obligations[2]	14,557	2,723	4,484	2,000	5,350
Total[3]	**8,369,299**	**2,702,723**	**4,759,296**	**902,000**	**5,350**

(1) Represents payment obligations relating to the Sukuk issued in 2007 and 2009 and other debt facilities of Dar Al-Arkan and excludes future interest payments associated with these borrowings. These borrowings are subject to various restrictive covenants under which the timing of payment may be accelerated in the case of noncompliance.

(2) Represents minimum lease payments under non-cancellable operating lease rentals.

(3) Excludes the SAR680 million (US$181 million) of contractual obligations relating to the development of Dar Al-Arkan's current projects, as these contracts may be terminated at will by Dar Al-Arkan. Also excludes end of service obligations as the timing of these payments cannot be determined.

Capital Expenditures

For the years ended December 31, 2009 and 2008, Dar Al-Arkan made capital expenditures in amounts of SAR6.5 billion (US$1.7 billion) and SAR5.3 billion (US$1.4 billion), respectively. These capital expenditures related to development of Dar Al-Arkan's projects and the acquisition of land for future projects. Dar Al-Arkan funded these capital expenditure requirements with cash from operations, the proceeds from the Sukuk offerings and funds from its other current debt facilities.

As of December 31, 2009, Dar Al-Arkan had capital expenditure commitments of SAR680 million (US$181 million), principally relating to the development of the Al-Qasr and Shams Ar Riyadh Master Planned Communities. Management expects Dar Al-Arkan to make a total of SAR2.7 billion (US$720 million) of capital expenditures during 2010, principally relating to development of the Al-Qasr and Shams Ar Riyadh Master Planned Communities. Dar Al-Arkan intends to fund these capital expenditures with a combination of cash from operations, its current debt facilities and the proceeds from the offering of the Certificates pursuant to this Offering Memorandum.

Critical Accounting Policies

In preparing its consolidated financial statements, management must make estimates and assumptions that affect the amounts reported and related disclosures. Several of these estimates and judgments are related to matters that are inherently uncertain as they pertain to future events. These estimates and judgments are evaluated at each reporting date and are based on historical experience, internal controls, advice from external experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates may vary from the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

Revenue Recognition

Dar Al-Arkan recognizes revenue on its development properties when the significant risks and rewards of ownership transfer to the buyer, which it has assessed to be at the time of legal completion of the sale or unconditional exchange.

With respect to Land Projects, Dar Al-Arkan receives an initial deposit with the balance being paid on a deferred basis, which typically does not exceed three months. Dar Al-Arkan recognizes the full amount of the consideration at the time the sale contract is signed.

With respect to sales of residential units on Residential and Commercial Projects, Dar Al-Arkan typically receives an initial deposit on the signature of the sales contact and a final payment on delivery of the units. Revenue from the sale of residential units is only recognized when the completed unit is delivered to the purchaser, and not when Dar Al-Arkan receives any part of the cash consideration. Completed units are considered to be delivered when the purchaser takes possession after construction is completed.

Dar Al-Arkan recognizes revenue from rental income on a straight line basis over the lease term.

Recognition of Cost of Sales

Dar Al-Arkan has developments which typically contain a number of individual projects within each development. In order to determine cost of sales related to properties or units sold during the period, management must estimate to average the costs of the entire development, including infrastructure costs and overall construction costs. These costs must then be allocated to each project within the development and each unit within a project. These estimates are reviewed regularly on a profit per project basis and revised as necessary. Any significant change in these estimates may result in additional costs being recorded in future periods related to revenue recognized in a prior period.

Classification of Properties

Dar Al-Arkan's properties are classified as either development properties or investment properties. Management has made various judgments to determine whether a property qualifies as an investment property (properties held to earn rentals and/or for capital appreciation) or as a development property that comprises properties held for sale, developed land held for sale, property projects under construction, land projects under development and land awaiting development. In making its judgment, management considers its intended use of property. When management determines that certain investment properties will be disposed of, their carrying cost will be transferred to development properties as long as they are under development and not generating revenues. Further, at each reporting date management categorizes individual projects as long term or short term depending on its estimated completion date. If a completion date is expected to be within a year of the balance sheet date, the project is classified as current.

Investment Properties

Investment property is recognized at cost while under construction as management does not believe that the fair value of the property is reliably determinable during the construction phase. Upon completion of construction, or if the fair value becomes reliably determinable during construction, the investment property is adjusted to fair value. At that time, any amount above the original cost is recognized as an increase in fair value of investment properties on the income statement. At December 31, 2009, substantially all of Dar Al-Arkan's investment properties were still under construction, and accordingly recognized at cost.

Carrying Value of Development Properties

Dar Al-Arkan's principal activity is currently the development and sale of Land Projects and the development of Residential and Commercial Projects and the sale of residential units on such projects. Due to the nature of this activity, much of the development is speculative in nature. Accordingly, the balance sheet as of December 31, 2009, reflects current assets that are not covered by forward sales contracts.

Dar Al-Arkan assesses the net realizable value of its investment properties and its development properties at each reporting date. This assessment is based on a profit per project basis and compares the carrying and future costs to the expected selling price per unit based on historical activities. As a result of this process, there have been no instances where the estimated net realizable value of the site was less than its current carrying value within the balance sheet. A change of these estimates in the future could have an impact on the valuation of the development properties.

OVERVIEW OF THE KINGDOM

The information in this section has been derived from a number of different identified sources. The Issuer and Dar Al-Arkan confirm that such information has been accurately reproduced and that, so far as they are aware, and are able to ascertain from the information published by each of the relevant sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Economic Background

The Kingdom is one of the largest free market economies in the Gulf Co-operation Council (the "**GCC**") accounting for 44% of the GDP of the GCC, according to the IMF Report. The Kingdom has a history of economic stability and a modern infrastructure. As of the end of 2008, the Kingdom possessed proven oil reserves of 264 billion barrels, according to the 45th Annual Report of the Saudi Arabian Monetary Agency (August 2009) (the "**SAMA Report**"). The Kingdom's proven oil reserves represent 21% of the world's proven oil reserves, according to the BP Statistical Report (June 2009) (the "**BP Report**"). Since 2005, the Kingdom has gained membership in the World Trade Organization and has risen to 13th in the World Bank's Ease of Doing Business report.

Geography

The Kingdom occupies an area of 1,960,582 square kilometres and borders Iraq, Jordan, Kuwait, Oman, Qatar, the United Arab Emirates, and Yemen. It is also linked by a bridge to Bahrain. The Kingdom has five geographical regions:

- Eastern Province, the industrial heart of the Kingdom's oil fields and associated industries, containing the cities of Jubail, Al Khobar, Dhahran and Dammam;
- Central Province, containing the city of Riyadh, the capital and the seat of the government;
- Western Province, bordering the Red Sea and containing the holy cities of Makkah and Madinah, the major commercial city of Jeddah and the industrial city of Yanbu;
- Northern Province, a sparsely populated region containing the cities of Tabuk and Hail; and
- South West Province, a mountainous region containing the city of Abha and the port of Jizan.

Most of the Kingdom consists of arid or semi-arid land. Uninhabitable desert covers nearly half of the country. Less than 2% of Saudi land is classified as arable, and less than 1% of the country's land is dedicated to permanent crops, according to the Eighth Development Plan.

Political Overview

The Kingdom is a monarchy with the Holy Quran as its constitution and is governed in accordance with the principles of Islamic law (Shari'ah). The King governs with the assistance of a Council of Ministers, also called the Cabinet. There are 22 ministries in the Kingdom and each ministry specializes in distinct aspects of the government. The King is also advised by the legislative body called the Consultative Council (also known as the *Majlis Al-Shura*) which proposes new laws and amends existing ones. It consists of 150 members who are appointed by the King.

Provinces and Regional Governance

For administrative purposes, the Kingdom is divided into 13 provinces or regions. Each region is led by a governor assisted by a deputy governor. Each governor reports to the Minister of Interior. Each province has its own council that advises the governor and deals with the development of the province. Each region has its own capital city as follows:

- Riyadh Region: Riyadh;
- Makkah Region: Holy City of Makkah;
- Madinah Region: Holy City of Madinah;
- Qasim Region: Buraidah;
- Eastern Region: Daamam;
- Asir Region: Abha;

• Tabuk Region: Tabuk;
• Hail Region: Hail;
• Northern Border Region: Ar'ar;
• Jizan Region: Jizan;
• Najran Region: Najran;
• Al-Baha Region: Al-Baha; and
• Al-Jouf Region: Sakakah.

The following map of the Kingdom shows its division into the respective provinces:

Overview of Legal System

Legislation in the Kingdom is passed by resolutions of the Cabinet and the Consultative Council and is ratified by royal decrees. All legislation must be compatible with the principles of Shari'ah. Legislation is enacted in various forms, the most common of which are royal orders, royal decrees, Council of Ministers' resolutions, ministerial resolutions and ministerial circulars.

The court system in the Kingdom consists of two main branches, Shari'ah courts and the Board of Grievances. These are complemented by several special adjudicative committees which have been established by ministerial or royal decrees.

The Shari'ah courts generally have jurisdiction over all civil claims, except for claims the jurisdiction of which has been specifically reserved to one of the other adjudicatory bodies (most notably to the Board of Grievances).

The Board of Grievances has jurisdiction over all disputes to which the Government of the Kingdom is a party. Notably, its jurisdiction includes the enforcement of foreign judgments and arbitral awards.

Membership of International Organizations

The Kingdom is a member of various international organizations including, *inter alia*, the United Nations, the Arab League, the International Monetary Fund (the "**IMF**"), the World Bank, the Islamic Development Bank, the World Trade Organization ("**WTO**"), the Group of Twenty (G-20), the Organization of Petroleum Exporting Countries ("**OPEC**"), and the Organization of the Islamic Conference.

After 12 years of negotiations, in December 2005, the Kingdom became the 149th member of the WTO. The Kingdom enacted over 40 new trade related laws, established nine new regulatory bodies and signed 38 bilateral trade agreements in order to prepare for its membership.

The Kingdom made major commitments in many trade related areas in order to support its membership bid, including tariff reduction and the opening of the service sectors to greater foreign participation, and to implement all WTO rules upon membership without recourse to transition periods. In light of its WTO commitments, the Kingdom endeavors to encourage foreign investment opportunities, a greater transparency in trade matters, legal recourse for trade partners, intellectual property rights protection as well as elimination of technical barriers to trade. The Kingdom also agreed to join several sector initiatives upon accession to lower tariffs and other trade barriers for telecommunications services, information technologies, pharmaceuticals, civilian aircraft and parts, and chemicals.

Gulf Cooperation Council

The GCC was formed in 1981 to provide a basis for the economic integration of the Gulf States. The members are the Kingdom, Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates. On January 1, 2003, the GCC member states implemented a customs union.

The GCC has recently announced plans to move toward further economic integration and to study the possibility of monetary and economic union, which has been announced to be possible as early as 2010.

Economic Overview

According to the SAMA Report, in 2008 the real GDP growth of the Kingdom was 4.4%, largely driven by strong private and public investment expenditure supported by high oil prices and abundant liquidity. Between 2003 and 2007, the real GDP growth averaged approximately 5.0% a year, up from the 3.1% annual average growth during the 1990s, according to the SAMA Report. However, economic growth outlook for 2009 has deteriorated sharply because of the global financial crisis and economic recession. Although the Kingdom has been less affected by the financial crisis, the indirect impact on the real economy has still been significant. According to the IMF Report, the real GDP of the Kingdom is expected to contract by 0.9% in 2009. However, in 2010 real GDP growth is forecast to increase by 4.0% according to the IMF Report, due to an expected recovery in global demand conditions and a higher oil production level. By 2014, the Kingdom's nominal GDP is forecast to grow by more than 50% to US$600 billion and nominal GDP per capita is expected to exceed US$20,000, according to the IMF Report.

The following table sets out the nominal GDP, real GDP growth, nominal GDP per capita and current account balance as a percentage of nominal GDP for the periods presented:

	2007	2008	2009e	2010f
Nominal GDP (US$ billion)	384.4	469.4	379.5	442.8
Real GDP growth (%)	3.3	4.4	(0.9)	4.0
Nominal GDP per capita (US$)	15,825	18,855	14,871	16,927
Current account balance (% of nominal GDP)	24.3	28.6	4.1	11.4

Source: IMF Report

Real oil GDP (excluding import duties) in the Kingdom grew by 4.8% in 2008, according the SAMA Report. The Kingdom produced 9.2 million barrels of oil per day in 2008, a 4.6% increase from 2007, according to the SAMA Report. According to the BP Report, the Kingdom accounted for 13% of global oil production in 2008. As of the end of 2008, the Kingdom possessed proven oil reserves of 264 billion barrels, according to the SAMA Report. The Kingdom's proven oil reserves represent 21% of the world's proven oil reserves, according to the BP Report. According to the IMF Report, real oil GDP is expected to contract by approximately 8% in 2009. In 2010, the contribution of the oil sector to economic growth is expected to turn positive but remain modest, according to the IMF Report, as Saudi crude oil production is expected to increase by an average of only 400,000 barrels per day.

Real non oil GDP (excluding import duties) in the Kingdom grew by 4.3% in 2008, according the SAMA Report. According to the SAMA Report, real non-oil private sector GDP (excluding import duties) grew by 4.7% during 2008 compared to growth of 5.5% in 2007, and real non-oil government sector GDP (excluding import duties) grew by 3.5% during 2008 compared to 3.0% in 2007. According to the IMF

Report, real non oil GDP is expected to decline to 2.3% growth in 2009, due to the negative effect of the global financial turmoil and economic slowdown.

The following table sets out the allocation of real GDP by institutional sectors (at producers' values at constant prices) from 1990 to 2008:

Year	Oil Sector	Non-Oil Private Sector	Non-Oil Government Sector	GDP Excluding Import Duties	Import Duties	GDP Including Import Duties	Growth Rate
			(Million SAR)				(%)
1990	170,076	197,041	109,108	476,225	7,881	484,106	8.3
1991	207,911	200,866	112,222	520,999	7,179	528,178	9.1
1992	214,109	208,908	119,709	542,726	9,899	552,625	4.6
1993	207,491	212,868	122,568	542,927	9,842	552,769	0.0
1994	207,889	215,719	124,191	547,799	8,649	556,448	0.7
1995	206,972	217,644	125,346	549,963	7,603	557,566	0.2
1996	211,879	228,397	127,274	567,550	8,883	576,433	3.4
1997	208,724	238,705	135,008	582,438	8,940	591,378	2.6
1998	215,357	244,891	137,905	598,154	9,987	608,141	2.8
1999	198,988	255,200	139,767	593,955	9,634	603,589	(0.7)
2000	212,652	266,437	144,148	623,237	9,714	632,951	4.9
2001	204,365	276,254	148,646	629,265	7,152	636,417	0.5
2002	189,112	287,667	152,992	629,772	7,459	637,230	0.1
2003	221,545	298,970	157,668	678,183	7,854	686,037	7.7
2004	236,459	314,924	162,516	713,899	8,274	722,173	5.3
2005	251,191	333,307	169,034	753,532	8,745	762,277	5.6
2006	249,281	353,696	174,272	777,249	9,100	786,348	3.2
2007	250,422	373,075	179,513	803,011	9,398	812,409	3.3
2008[(1)]	262,499	390,656	185,883	839,038	9,509	848,547	4.4

(1) Provisional.

Source: SAMA Report

The following table sets out the allocation of nominal GDP by institutional sectors (at producers' values at current prices) from 1990 to 2008:

Year	Oil Sector	Non-Oil Private Sector	Non-Oil Government Sector	GDP Excluding Import Duties	Import Duties	GDP Including Import Duties	Growth Rate
			(Million SAR)				(%)
1990	158,693	175,387	96,254	430,334	7,000	437,334	22.5
1991	179,572	186,754	118,527	484,853	7,000	491,853	12.5
1992	199,856	197,270	104,233	501,359	9,100	510,459	3.8
1993	170,012	205,637	109,980	485,630	9,277	494,907	(3.0)
1994	169,438	213,191	112,137	494,766	8,289	503,055	1.6
1995	187,718	218,599	119,686	526,004	7,500	533,504	6.1
1996	226,476	230,509	124,888	581,873	8,875	590,748	10.7
1997	228,250	241,304	139,248	608,802	9,100	617,902	4.6
1998	152,829	245,603	138,202	536,635	10,013	546,648	(11.5)
1999	198,988	255,200	139,767	593,955	9,634	603,589	10.4
2000	289,165	264,873	142,969	697,007	9,650	706,657	17.1
2001	255,509	275,118	148,536	679,163	7,133	686,296	(2.9)
2002	263,511	285,682	150,487	699,680	7,386	707,067	3.0
2003	330,389	298,985	167,187	496,561	8,087	804,648	13.8
2004	424,104	321,299	184,543	929,946	8,825	938,771	16.7
2005	618,291	346,487	207,621	1,172,399	10,115	1,182,514	26.0
2006	720,664	373,991	229,901	1,324,556	11,025	1,335,581	12.9
2007	785,766	404,963	236,984	1,427,714	11,801	1,439,515	7.8
2008[(1)]	1,060,164	440,363	245,474	1,746,001	12,000	1,758,001	22.1

(1) Provisional.

Source: SAMA Report

The following table sets out real GDP by type of economic activity (at producers' values at constant prices) from 1998 to 2008:

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008(1)	Share
						(Million SAR)						(%)
A—Industries and Other Producers Except Producers of Government Services:												
1. Agriculture, Forestry & Fishing	33,676	34,443	35,789	35,992	36,454	36,751	37,874	38,338	38,748	39,466	39,906	4.7
2. Mining and Quarrying:	191,916	175,566	188,252	179,936	164,901	195,055	207,742	221,374	218,993	219,626	231,235	27.3
(a) Crude Petroleum & Natural Gas	189,476	173,102	185,735	177,388	162,311	192,452	205,088	218,648	216,195	216,743	228,273	26.9
(b) Other	2,440	2,464	2,517	2,550	2,590	2,603	2,654	2,726	2,798	2,884	2,962	0.3
3. Manufacturing:	60,191	62,800	65,794	68,699	71,082	76,142	81,314	86,940	92,382	98,389	102,533	12.1
(a) Petroleum Refining	18,101	18,021	18,660	18,515	18,063	19,914	21,634	22,332	22,170	22,261	22,312	2.6
(b) Other	42,090	44,779	47,134	50,186	53,019	56,227	59,680	64,608	70,212	76,128	80,221	9.5
4. Electricity, Gas and Water	7,511	8,174	8,561	9,515	9,955	10,569	11,259	11,866	12,629	13,142	14,018	1.7
5. Construction	40,406	39,437	41,755	42,123	43,181	45,550	48,517	50,832	54,559	56,799	58,818	6.9
6. Wholesale & Retail Trade, Restaurants and Hotels	42,394	45,992	48,183	50,079	52,210	54,204	56,893	59,385	62,989	66,893	70,723	8.3
7. Transport, Storage & Communication	27,186	27,893	29,015	31,277	33,455	35,046	37,863	41,145	45,160	49,766	55,655	6.6
8. Finance, Insurance, Real Estate & Business Services:	70,020	73,824	76,545	79,113	82,560	84,793	88,490	94,176	98,539	102,320	105,876	12.5
(a) Ownership of Dwellings	40,682	42,221	43,176	44,080	45,115	46,080	47,924	50,012	51,706	52,822	53,898	6.4
(b) Other	29,338	31,603	33,369	35,033	37,445	38,713	40,566	44,164	46,833	49,498	51,977	6.1
9. Community, Social & Personal Services	20,620	21,377	22,478	23,481	24,792	25,552	26,754	28,106	29,502	30,297	30,999	3.7
l0. Less: Imputed Bank Services Charge	11,493	12,340	13,423	14,029	14,859	14,804	14,954	15,194	15,395	15,508	15,597	1.8
SUB-TOTAL	482,426	477,166	502,948	506,186	503,731	548,857	581,752	616,968	638,106	661,190	694,166	81.8
B—Producers of Government Services:	115,728	116,789	120,289	123,075	126,040	129,326	132,148	136,565	139,142	141,821	144,871	17.1
Total Except Import Duties	598,154	593,955	623,237	629,265	629,772	678,182	713,899	753,532	777,249	803,011	839,038	98.9
Import Duties	9,987	9,634	9,714	7,152	7,459	7,854	8,274	8,745	9,100	9,398	9,509	1.1
Gross Domestic Product (GDP)	608,141	603,589	632,951	636,417	637,230	686,036	722,173	762,277	786,348	812,409	848,547	100.0

(1) Provisional.

Source: SAMA Report

The following table sets out nominal GDP by type of economic activity (at producers' values at current prices) from 1998 to 2008:

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008[(1)]	Share
						(Million SAR)						(%)
A—Industries and Other Producers Except Producers of Government Services:												
1. Agriculture, Forestry & Fishing	33,901	34,443	34,973	35,708	36,101	36,454	37,187	38,280	39,373	40,154	41,050	2.3
2. Mining and Quarrying:	131,865	175,566	262,399	230,250	236,926	294,111	384,469	571,008	668,421	732,654	1,005,200	57.2
(a) Crude Petroleum & Natural Gas	129,480	173,102	259,847	227,607	234,206	291,326	381,582	567,992	665,276	729,361	1,001,745	57.0
(b) Other	2,385	2,464	2,552	2,643	2,720	2,785	2,886	3,016	3,145	3,292	3,455	0.2
3. Manufacturing:	58,094	62,800	68,290	69,206	72,975	86,267	95,827	110,706	123,912	133,452	145,263	8.3
(a) Petroleum Refining	15,554	18,021	21,084	19,356	20,434	29,732	32,435	39,453	43,710	43,634	44,536	2.5
(b) Other	42,540	44,779	47,206	49,850	52,541	56,535	63,392	71,253	80,202	89,818	100,727	5.7
4. Electricity, Gas and Water	7,860	8,174	8,515	8,928	9,303	9,870	10,406	11,020	11,664	12,419	12,958	0.7
5. Construction	40,314	39,437	41,724	43,185	44,739	47,137	51,141	54,946	59,139	65,017	71,027	4.0
6. Wholesale & Retail Trade, Restaurants and Hotels	42,359	45,992	47,832	49,793	51,735	53,856	58,132	62,759	67,868	73,990	80,649	4.6
7. Transport, Storage & Communication	26,811	27,893	29,103	30,559	31,934	33,224	35,667	38,429	41,367	45,934	52,594	3.0
8. Finance, Insurance, Real Estate & Business Services:	70,172	73,824	76,204	78,873	82,072	85,843	91,218	97,784	104,798	111,438	118,892	6.8
(a) Ownership of Dwellings	40,757	42,221	43,056	43,935	44,989	45,979	47,950	50,012	52,223	54,776	58,857	3.3
(b) Other	29,415	31,603	33,148	34,938	37,082	39,863	43,268	47,772	52,575	56,661	60,035	3.4
9. Community, Social & Personal Services	20,864	21,377	22,176	23,064	24,124	25,114	26,478	27,855	29,203	30,631	32,270	1.8
10.Less: Imputed Bank Services Charge	11,523	12,340	13,334	13,991	14,714	15,244	15,950	16,739	17,575	18,280	18,825	1.1
SUB-TOTAL	420,717	477,166	577,884	555,575	575,195	656,632	774,575	996,048	1,128,170	1,227,409	1,541,078	87.7
B—Producers of Government Services:	115,918	116,789	119,123	123,589	124,486	139,929	155,371	176,350	196,386	200,306	204,923	11.7
Total Except Import Duties	536,635	593,955	697,007	679,163	699,680	796,561	929,946	1,172,399	1,324,556	1,427,714	1,746,001	99.3
Import Duties	10,013	9,634	9,650	7,133	7,386	8,087	8,825	10,115	11,025	11,801	12,000	0.7
Gross Domestic Product (GDP)	546,648	603,589	706,657	686,296	707,067	804,648	938,771	1,182,514	1,335,581	1,439,515	1,758,001	100.0

(1) Provisional.

Source: SAMA Report

As a result of GDP growth and oil revenues, as of the end of 2008 the Kingdom was a net domestic creditor, with a current account balance of 28% of GDP, according to the IMF Report. In terms of foreign assets, it is amongst the largest net creditors, ahead of Russia but behind Kuwait and Abu Dhabi, as a proportion of GDP. However, Fitch rating agency estimates that, in absolute terms, the Kingdom's foreign assets are second only to China. Under a stressed scenario where oil prices fell to US$30 per barrel, Fitch expects the Government of the Kingdom to be able to draw down on its large external assets for up to a decade to compensate for decreased oil revenues.

The following tables sets out developments in GCC economies from 2007 to 2008:

	UAE		Bahrain		Kingdom		Oman		Qatar		Kuwait	
	2007	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**
						(Billion US$)						
Nominal GDP	198.7	239.5	17.5	18.5	383.9	468.8	41.6	53.1	72.3	104.6	112.1	148.8
Real GDP growth percentage	6.3	7.4	8.1	6.1	3.3	4.4	6.4	6.2	15.3	16.4	2.5	6.3
Interest rates on USA (3-month libor)	5.1	2.2	5.1	2.2	5.1	2.2	5.3	2.4	5.1	2.2	5.3	2.4
Inflation rate	13.3	14.0	3.8	7.0	4.1	9.9	5.9	12.5	13.8	15.1	5.5	10.8
Money Supply(1)	41.7	33.4	34.8	20.8	19.6	17.7	37.2	23.1	35.6	61.5	19.2	15.9
Imports (FOB)	116.6	141.1	10.9	14.6	81.5	100.6	14.3	16.7	19.8	21.2	20.6	26.1
Exports (FOB)	180.9	199.6	13.8	16.9	233.1	313.3	24.7	33.3	42.0	53.2	63.7	88.8
Current account.	36.4	28.7	2.9	1.3	93.3	134.0	1.9	4.8	10.4	18.3	47.5	59.5
Ratio of current account balance to GDP(2)	18.3	12.0	16.6	7.0	24.3	28.6	4.6	9.1	14.5	17.4	42.4	40.0
Government balance (% of GDP)(2)	14.2	12.2	2.6	2.7	12.3	33.6	0.3	4.2	13.2	9.6	42.4	30.8
Population (millions)	5.3	5.6	1.0	1.1	24.2	24.8	2.7	2.9	1.3	1.6	3.4	3.4

(1) Qatar's data for 2008 represent the second quarter, while UAE's data for 2008 represent the third quarter.

(2) Ratio of surplus/deficit to GDP (at current prices).

Source: SAMA Report

The following table sets out state annual budget projections of the Kingdom by sector:

Sector	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
					(Million SAR)				
A. Revenues:									
Oil Revenues	169,000	97,000	110,000	145,000	220,000	320,000	330,000	370,000	320,000
Other Revenues	46,000	60,000	60,000	55,000	60,000	70,000	70,000	80,000	90,000
Total	**215,000**	**157,000**	**170,000**	**200,000**	**280,000**	**390,000**	**400,000**	**450,000**	**410,000**
B. Expenditures:									
Human Resource Development	53,010	47,037	49,609	55,832	69,899	87,164	96,483	104,600	121,942
Transport & Communications(1)	5,732	5,464	5,634	6,352	8,629	9,804	11,329	12,143	14,642
Economic Resource Development	5,629	4,969	6,927	7,020	10,516	12,454	13,902	16,317	21,692
Health & Social Development	18,089	18,970	16,767	17,971	23,057	26,798	31,010	34,426	40,426
Infrastructure Development	2,532	2,693	2,544	2,620	3,292	4,555	5,188	6,384	7,762
Municipal Services	7,224	7,965	5,393	6,192	8,976	11,588	13,576	14,954	16,509
Defence & Security	78,850	69,382	70,303	78,414	95,146	110,779	132,922	143,336	154,752
Public Administration and other Government Spending	37,372	39,316	44,848	49,936	51,665	62,814	61,756	63,031	79,148
Government Lending Institutions	411	373	375	387	502	575	1,026	479	524
Subsidies	6,151	5,831	6,600	5,276	8,318	8,469	12,808	14,329	17,602
Total	**215,000**	**202,000**	**209,000**	**230,000**	**280,000**	**335,000**	**380,000**	**410,000**	**475,000**
Deficit/Surplus (Expected)	0	(45,000)	(39,000)	(30,000)	0	55,000	20,000	40,000	(65,000)

(1) Appropriations for the transport and communications sector do not include the amount of SAR2,175 million allocated for the telephone expansion project to be directly financed by revenues.

Source: SAMA Report

The following table sets out balance of payments of the Kingdom from 2005 to 2008:

	2005	2006	2007[1]	2008[2]
		(Million US$)		
I: Current Account Balance	89,990	98,934	93,329	134,046
A. Goods and Services	104,325	111,863	103,969	147,031
1. Goods	126,019	147,194	150,632	211,993
2. Services	(21,694)	(35,332)	(46,662)	(64,962)
B. Income	432	3,830	6,392	10,027
1. Compensation of Employees	(504)	(559)	(577)	(534)
2. Investment Income	936	4,388	6,969	10,562
C. Current Transfers	(14,766)	(16,758)	(17,032)	(23,012)
1. General Government	(781)	(1,168)	(975)	(1,820)
2. Other Sectors	(13,985)	(15,590)	(16,057)	(21,192)
II: Capital and Financial Account (NET)	(58,876)	(81,793)	(80,554)	(122,949)
1. Direct Investment	12,447	18,332	24,453	18,989
2. Portfolio Investments	2,755	(5,894	931	4,141
3. Other Investments	(5,153)	(12,478)	(15,447)	1,721
4. Reserve Assets	(68,925)	(81,753)	(90,491)	(147,800)
III: Errors and Omissions	(31,114)	(17,141)	(12,775)	(11,098)

(1) Revised.

(2) Provisional.

Source: SAMA Report

Further economic policy aims of the Kingdom include diversifying the economy away from the oil sector and government sectors, providing more job opportunities to Saudi nationals and improving structural resilience of the economy to external shocks. Fiscal policies are expansionary and focused on growth, and there are several very large projects that are expected to assist in growing and diversifying the economy. These projects are mainly in the energy and infrastructure sector.

The World Bank has identified the Kingdom as a leading reformer globally and the Kingdom has risen from 67th to 13th position in the World Bank's Ease of Doing Business Index in less than three years, making it the highest-ranked Middle Eastern country in the index as of September 30, 2009. These improvements have led to increased foreign direct investments in the past few years. In 2006, foreign direct investments in the Kingdom totaled US$18.3 billion, increasing to US$24.3 billion in 2007 and slightly dropping in 2008 to US$22.5 billion, according to the SAMA Report.

Oil Prices

As of the end of 2008, the Kingdom possessed proven oil reserves of 264 billion barrels, according to the SAMA Report. The Kingdom's proven oil reserves represent 21% of the world's proven oil reserves, according to the BP Report. According to the BP Report, the Kingdom accounted for 13% of global oil production in 2008, making it the world's leading producer of oil. At current rates of production of 9.2 billion barrels per day, the Kingdom's known oil reserves would last approximately 78 years, according to the SAMA Report. At an average price of US$96.3 (average Arabian Light and Brent) per barrel in 2008, these reserves are worth approximately US$25.4 trillion. Even assuming that prices revert to their 2000-2007 average of US$40.8 per barrel (US$39.5 for Arabian Light and US$42.1 for Brent), the value of the reserves would amount to approximately US$10.78 trillion, which is approximately equal to more than 20 times the current annual Government expenditure.

The following table sets out nominal and real oil prices (base year 1970):

Year	Nominal Oil Price		Real Oil Price(1)	
	Arabian Light	North Sea (Brent)	Arabian Light	North Sea (Brent)
	(US$ per Barrel)			
2000	26.81	28.44	5.53	5.87
2001	23.06	24.46	4.62	4.90
2002	24.32	25.03	4.79	4.93
2003	27.69	28.81	5.35	5.56
2004	34.53	38.23	6.54	7.24
2005	50.15	54.37	9.31	10.09
2006	61.05	65.14	11.10	11.84
2007	68.75	72.55	12.24	12.92
2008	95.16	97.37	16.31	16.69

(1) Real prices have been calculated by using the Consumer Price Index in industrial countries.

Source: SAMA Report

Inflation

Inflation rates in all GCC countries increased during 2008, according to the IMF Report. The average inflation as measured by the CPI was 9.9% in the Kingdom in 2008, as opposed to 4.1% in 2007 and 2.3% in 2006, according to the SAMA Report. Rental prices of real estate had a significant upward influence in rising inflation levels in 2008, according to the SAMA Report. For 2009, the average inflation is forecasted at 4.5% and is expected to decline starting in the second quarter of the year to reach 4.0% over 2010, according to the IMF Report. Among other things, real estate prices are expected to decrease, in particular commercial office space due to an oversupply and lower demand.

The following table sets out selected economic indicators in the Kingdom:

	2004	2005	2006	2007	2008
Estimated population (in million)	22.53	23.11	23.68	24.24	24.81
GDP at current prices (billion SAR)	938.8	1182.5	1335.6	1439.5	1758.0
GDP at constant prices of 1999 (billion SAR)	722.2	762.3	786.3	812.4	848.5
Non-oil GBP deflator	105.9	110.3	114.4	116.2	119.0
Inflation rate (consumer prices)(%)	0.3	0.7	2.2	4.1	9.9

Source: SAMA Report

Building and Construction

Construction on a stand-alone basis remains one of the largest non-oil sectors in the Kingdom and the recent surge in oil prices has led to increased government and private sector construction projects, further boosting the construction industry. According to the Eight Development Plan, the Government of the Kingdom has targeted growth in the construction sector at an annual rate of 6.7% for the period 2005 to 2010 and, to this effect, has made public announcements regarding US$624 billion in upcoming development projects, including the following major developments:

Construction of new economic cities

The King Abdullah Economic City, to be constructed in the northern areas of Jeddah at a cost of around US$26.6 billion. Additionally, Jizan Economic City, Hail Economic City, Knowledge Economic City in Madinah and Sudair Industrial City under the auspices of MODON (Saudi Industrial Property Authority) are major development projects underway.

Construction of Saudi Aramco refineries

Construction of the Saudi Aramco and ConocoPhillips joint venture export refinery to be located in Yanbu, the Saudi Aramco and Total S.A. export refinery to be located in Jubail and construction of the Saudi Aramco Ras Tanura integrated refinery and petrochemical project which includes a petrochemical value park for the further development of downstream conversion industries and the manufacture of end-use products from the conversion of the products from the Ras Tanura chemical and petrochemical project. Saudi Aramco alone accounts for US$133 billion of the projects planned for 2006 through 2010.

Construction of Landbridge railway

Construction of Landbridge railway across the Kingdom, the first ever rail link between the Red Sea and the Arabian Gulf, with a cost of around US$6 billion.

Demographics and Employment

According to estimates in the SAMA Report, the Kingdom's total population stood at 24.8 million in 2008, of which 6.7 million were non-Saudi nationals. The population in the Kingdom has increased considerably over the past three decades. According to the 1974 census, as reported by the Eighth Development Plan, the Kingdom's population was estimated at approximately 7.0 million, 6.2 million of whom were Saudi citizens. According to the 1992 census, as reported by the Eighth Development Plan, the Kingdom's population increased to 16.9 million, 12.3 million of whom were Saudi citizens. According to the Eighth Development Plan, this increase in population was attributable to a high annual rate of natural growth of the Saudi population, estimated at approximately 3.8%, as well as the influx of a large number of foreign workers recruited to meet the needs of economic and social development. According to the 2004 census, as reported by the Eighth Development Plan, the Kingdom's population increased to 22.6 million, 16.5 million of whom were Saudi citizens, and the annual natural growth rate of the Saudi population was 2.5% during the period from 1993 to 2004.

According to the 2004 census, as reported by the Eighth Development Plan, the below 15-years age group constituted 40.4% of the Kingdom's total population and approximately half the population was at or below 17.3 years of age. As a consequence of this youthful population, the annual rate of new entrants to the labor market over the next two decades is estimated at 3%, according to the Eighth Development Plan.

Unemployment in the Kingdom in 2008 amounted to 437,648, declining by 5.5% from 2007, and representing an unemployment rate of 5.0% of the total labor force in the Kingdom. The number of unemployed Saudi nationals stood at 416,350, for an unemployment rate of 9.8% of the total Saudi labor force, of which 239,176 were men, or 6.9% of the total Saudi male labor force. The number of Saudi unemployed women workers amounted to 177,174, or 24.9% of the total Saudi women labor force. The number of unemployed non-Saudi nationals stood at 21,298, for an unemployment rate of 0.40% of the total non-Saudi labor force in the Kingdom.

The following table shows the Saudi unemployment rate by sex and nationality from 2003 to 2008:

	Saudis			Non-Saudis			Total		
Year	Males	Females	Total	Males	Females	Total	Males	Females	Total
					(%)				
2003	8.00	23.18	10.35	0.80	0.79	0.79	4.36	12.51	5.56
2004	8.39	24.40	10.97	0.77	0.93	0.80	4.49	13.36	5.82
2005	8.74	25.41	11.52	0.75	1.06	0.80	4.60	14.07	6.05
2006	9.07	26.27	12.02	0.74	1.17	0.80	4.71	14.69	6.25
2007	8.30	24.70	11.05	0.40	0.50	0.43	4.24	13.21	5.63
2008	6.90	24.90	9.80	0.40	0.60	0.40	3.50	13.00	5.00

Source: SAMA Report

The following table shows the total number of unemployed members of the labor force by sex and nationality from 2003 to 2008:

	Saudis			Non-Saudis			Total		
Year	Males	Females	Total	Males	Females	Total	Males	Females	Total
2003	225,593	119,757	345,350	22,910	3,700	26,610	248,503	123,457	371,960
2004	248,031	138,542	386,573	23,991	4,710	28,701	272,022	143,252	415,274
2005	270,468	157,327	427,795	25,073	5,719	30,792	295,541	163,046	458,587
2006	292,906	176,112	469,018	26,154	6,729	32,883	319,060	182,841	501,901
2007	280,411	164,787	445,198	15,062	3,053	18,115	295,473	167,840	463,313
2008	239,176	177,174	416,350	17,055	4,243	21,298	256,231	181,417	437,648

Source: SAMA Report

The Government of the Kingdom has been making efforts to counter unemployment through labor policies designed to increase the number of Saudis nationals active in the private and public sector workforce. These policies require employers to meet progressive targets regarding the number of Saudi employees on their payroll.

Exchange Rate

The Kingdom follows a fixed exchange rate policy under which the Saudi Riyal is pegged to the US Dollar at the exchange rate of US$1 = SAR3.745. The consumer price index based real effective exchange rate fell sharply from 84.4 in 2004 to 78.5 in 2007, which deteriorated the purchasing power of the Saudi Riyal and contributed to the onset of inflationary pressures in 2007. After the declines from 2004 through 2007, the real effective exchange rate recovered to 80.3 in 2008.

The declines from 2004 through 2007 led to growing pressures on GCC Governments to drop the peg against US Dollar and to consider measures such as trade-weighted exchange rates, a course taken by Kuwait when it de-linked the Kuwaiti Dinar from the US Dollar in May 2007. Among others, the Arab Monetary Fund advocated the idea of de-pegging GCC currencies in December 2007. Recent statements from various GCC Governments suggest that steps to drop the peg against US Dollar are unlikely in the near term. Instead, the focus appears to have shifted to the goal of adopting a shared currency at the beginning of the next decade, although many political and technical issues would first need to be resolved.

The following table shows the nominal effective exchange rates ("**NEER**") and real effective exchange rates ("**REER**") of the Saudi Riyal from 2003 through 2008:

Year	NEER	REER
2003	95.94	90.52
2004	91.21	84.43
2005	90.60	82.27
2006	90.31	80.79
2007	86.61	78.51
2008	83.95	80.27

Source: SAMA Report

Interest Rate Development

Saudi Interbank Offered Rate ("**SIBOR**") on Riyal deposits declined considerably in 2008, following the downward adjustments of the official reverse repo rates by SAMA and in line with the general trend of interest rates in the international financial markets. The three months SIBOR on Saudi Arabian Riyal deposits declined by 190 basis points to an annual average of 2.89% during 2008 as compared with a fall of 23 basis points to an annual average of 4.79% in 2007. The three months Interbank interest rate on US Dollar deposits declined considerably in 2008 by 223 basis points to an annual average of 2.99% in 2008 against an increase of 9 basis points to an annual average of 5.22% in 2007. As the decline in the interest rates on US Dollar deposits was steeper than that in the interest rates on Saudi Arabian Riyal deposits, the differential between the two average rates that was in favor of the US Dollar to the extent of 43 basis points in 2007 narrowed down to 10 basis points in 2008.

The following table shows the development of the average 3-month inter-bank interest rates on the Saudi Arabian Riyal and US Dollar deposits for the periods indicated:

	2004	2005	2006	2007	2008	2009* (*average 1Q)
SAR Deposit	1.73	3.76	5.02	4.79	2.89	1.21
US$ Deposit	1.53	3.49	5.13	5.22	2.99	1.32
Difference	0.20	0.27	(0.11)	(0.43)	(0.10)	(0.10)

Source: SAMA Report

Stock Market

The Saudi stock market was informal until the early 1980s when the Government of the Kingdom embarked on forming a regulated market for trading of securities together with the required systems. In 1984, a Ministerial Committee composed of the Ministry of Finance and National Economy, Ministry of Commerce and SAMA was formed to regulate and develop the market. SAMA was the government body charged with regulating and monitoring market activities until the Capital Market Authority was established in July 2003 pursuant to the Capital Market Law issued by Royal Decree No. (M/30) dated 2/6/1424H. The Capital Market Authority is the sole regulator and supervisor of the Saudi capital market. It issues the required rules and regulations to protect investors and ensure fairness and efficiency in the market.

The global financial crisis had a negative impact on the Saudi stock market, resulting in a 52.6% loss of its capitalization in 2008 despite 16 new listings. The following table illustrates the performance of the Tadawul All Share Index Performance since January 2007:

Tadawul All Shares Index Performance

Source: Bloomberg December 31, 2009

In 2008, the two largest components of the index, the Petro-chemical industry and the banking sector, lost 66.1% and 53.1% of their market capitalization, respectively. The third largest component of the index, the telecommunication sector, experienced a market capitalization decline of 36.0%. Total market capitalization, including the new listings, stood at US$133 billion as of October 31, 2009, compared to US$519 billion at the beginning of 2008.

The following table sets out market statistics from 1999 to 2008:

Year	Trades	% Change	Volume (mn)	% Change	Value (mn)	% Change	Market Cap (Bil)	% Change	TASI	% Change
1999	438,226		527.51		56,578.72		228.59		2,028.53	
2000	498,135	13.67	554.91	5.20	65,292.89	15.40	254.46	11.32	2,258.29	11.33
2001	605,035	21.46	691.83	26.47	83,601.31	28.04	274.53	7.89	2,430.11	7.61
2002	1,033,669	70.84	10,795.11		133,787.08	60.03	280.73	2.26	2,518.08	3.62
2003	3,763,403	264.08	33,395.31	209.36	596,510.04	345.87	589.93	110.14	4,437.58	76.23
2004	13,319,523	253.92	61,050.80	82.81	1,773,859.05	197.37	1,148.60	94.70	8,206.23	84.93
2005	46,607,951	249.92	70,812.73	15.99	4,138,695.67	133.32	2,438.20	112.28	16,712.64	103.66
2006	96,095,920	106.18	72,741.32	2.72	5,261,851.35	27.14	1,225.86	(49.72)	7,933.29	(52.53)
2007	65,665,500	(31.67)	61,732.50	(15.13)	2,557,712.53	(51.39)	1,946.35	58.77	11,038.66	39.14
2008	52,135,929	(20.60)	59,682.60	(3.32)	1,962,945.58	(23.35)	924.53	(52.50)	4,802.99	(56.49)
2009	36,458,326	(30.07)	57,338.26	(5.73)	1,264,011.29	(35.61)	1,195.51	29.31	6,121.76	27.46

Source: Tadawul Annual Report, December 31, 2009

Credit Rating

The Kingdom enjoys strong credit ratings at a sovereign issuer level from all three internationally recognized credit rating agencies and by Capital Intelligence, a rating agency for emerging markets. The Kingdom has also recently received a positive review by the IMF in its latest country review.

The following table shows current credit ratings awarded by the aforementioned respective rating agencies:

	S & P	Fitch	Moody's	Capital Intelligence
Long-term foreign currency	AA−	AA−	A1	AA−
Outlook	Stable	Stable	Positive	Stable

OVERVIEW OF THE REAL ESTATE SECTOR IN THE KINGDOM

The information in this section has been derived from a number of different identified sources. The Issuer and Dar Al-Arkan confirm that such information has been accurately reproduced and that, so far as they are aware, and are able to ascertain from the information published by each of the relevant sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Saudi real estate sector, although negatively affected by the current global downturn, continues to grow steadily, benefiting from growing demand for residential and commercial properties due to rising population, changing demographics, growing hotel and tourism industry and higher personal disposable income.

The contribution of the construction sector to non-oil GDP has declined from an average of 35% in the 1970s to an average of 9% during 2000 to 2008, according to the SAMA Report. However, over the past decade, the share of the construction sector has remained relatively stable, according to the SAMA Report. Similarly, according to the SAMA Report, the contribution of construction to the total GDP declined from an average 6.2% in the 1970s to an average of 5.2% over 2000 to 2008, with the downward trend resulting from the growing contribution of oil-related industries. The contribution of the construction sector to nominal GDP grew by 9.2% in 2008, according to the SAMA Report.

The housing market is a large part of the real estate sector. In recent decades, growth in the housing market was driven by a rapid population growth, urbanization, rising per capita income, upgrading requirements of traditional houses, as well as increasingly liberal financing facilities extended by the government funded Real Estate Development Fund ("**REDF**"), a fund sponsored by the Government of the Kingdom and established to provide loans to individuals and institutions in connection with real estate projects. Future growth of the housing market will continue to be impacted by these factors.

Residential Housing Demand

Market Analysis of the Housing Sector

The residential housing market is fundamentally driven by:

- population growth;
- housing stock replacement rate;
- urbanization;
- employment and income;
- house prices; and
- availability of financing for purchase or construction.

Population

According to estimates in the SAMA Report, the Kingdom's total population stood at 24.8 million in 2008, of which 6.7 million were non-Saudi nationals. The population in the Kingdom has increased considerably over the past three decades. According to the 1974 census, as reported by the Eighth Development Plan, the Kingdom's population was estimated at approximately 7.0 million, 6.2 million of whom were Saudi citizens. According to the 1992 census, as reported by the Eighth Development Plan, the Kingdom's population increased to 16.9 million, 12.3 million of whom were Saudi citizens. According to the Eighth Development Plan, this increase in population was attributable to a high annual rate of natural growth of the Saudi population, estimated at approximately 3.8% as well as the influx of a large number of foreign workers recruited to meet the needs of economic and social development. According to the 2004 census, as reported by the Eighth Development Plan, the Kingdom's population increased to 22.6 million, 16.5 million of whom were Saudi citizens, and the annual natural growth rate of the Saudi population was 2.5% during the period from 1993 to 2004.

According to the 2004 census, as reported by the Eighth Development Plan, the below 15-years age group constituted 40.4% of the Kingdom's total population and approximately half the population was at or below 17.3 years of age. Average life expectancy in the Kingdom increased from 53 years in the 1970s to 72 in 2003, according to the Eighth Development Plan. The World Bank estimates that Kingdom's population will reach 37.2 million by 2025 and approximately 50.0 million by 2050. The expatriate population is expected to remain stable, as a consequence of the governmental labor policies designed to increase the number of Saudi nationals in the public and private sector.

The following table shows the estimated population growth, by both Saudi and non-Saudi citizens, for the period from 2004 to 2014, based on initial results of the 2004 census data:

Year	Saudi Citizens	Non-Saudi Citizens	Total
2004	16,421,436	6,107,906	22,529,342
2005	16,834,174	6,245,483	23,079,657
2006	17,251,366	6,381,928	23,633,294
2007	17,672,016	6,517,342	24,189,358
2008	18,102,143	6,652,187	24,754,330
2009	18,541,062	6,786,260	25,327,322
2010	18,987,916	6,920,063	25,907,979
2011	19,441,913	7,053,791	26,495,704
2012	19,902,123	7,187,292	27,089,415
2013	20,375,903	7,320,705	27,696,608
2014	20,862,616	7,454,418	28,317,034

Source: Eight Development Plan.

Housing Stock

The following table shows a breakdown of number of housing units, total population and average number of people per unit of different housing types at the end of 2004:

Dwelling Type	No. of Dwellings	No. of People	Average People Per Dwelling
Traditional	1,114,456	6,557,056	5.88
Villa	729,780	5,298,107	7.26
Floor within a villa or traditional	386,911	2,427,818	6.27
Apartment	1,505,429	6,766,371	4.49
Others	255,207	870,704	3.41
Total	**3,991,783**	**21,920,056**	**5.49**

Source: Eight Development Plan.

The following table shows a breakdown of number of housing units, total population and average number of people per unit for each of the Kingdom's provinces at the end of 2004:

	Total			Saudi			Non-Saudi		
Region	Households	Individuals	Avg. size	Households	Individuals	Avg. size	Households	Individuals	Avg. size
Al-Jouf	49,006	354,126	7.2	37,656	311,874	8.28	11,350	42,252	3.72
Northern Borders	37,859	273,520	7.2	30,644	241,675	7.89	7,215	31,845	4.41
Hail	78,284	520,014	6.6	60,160	458,407	7.62	18,124	61,607	3.40
Jazan	179,384	1,172,018	6.5	142,313	998,881	7.02	37,071	173,137	4.67
Al-Qaseem	167,522	989,422	5.9	123,161	828,713	6.73	44,361	160,709	3.62
Najran	699,33	409,883	5.9	52,202	346,768	6.64	17,731	63,115	3.56
Eastern Region	533,794	3,157,344	5.9	397,969	2,598,053	6.53	135,825	559,291	4.12
Al-Baha	65,770	375,007	5.7	51,424	331,265	6.44	14,346	43,742	3.05
Aseer	288,303	1,659,947	5.8	226,238	1,445,677	6.39	62,065	214,270	3.45
Al-Riyadh	961,478	5,251,559	5.5	626,014	3,853,299	6.16	335,464	1,398,260	4.17
Tabuk	118,478	670,987	5.7	96,900	592,633	6.12	21,578	78,354	3.63
Al-Madeenah	271,296	1,458,856	5.4	200,731	1,160,095	5.78	70,565	298,761	4.23
Makkah	1,177,905	5,627,373	4.8	723,554	3,679,174	5.08	454,351	1,948,199	4.29
Total	**3,999,012**	**21,920,056**	**5.5**	**2,768,966**	**16,846,514**	**6.1**	**1,230,046**	**5,073,542**	**4.1**

Source: Eight Development Plan.

Urbanization

The majority of the Saudi population is concentrated in three administrative regions: Riyadh, Makkah and the Eastern Region, accounting together for 64.5% of the total population. Expatriates account for approximately one-third of the population of Riyadh, more than one-third of Makkah, approximately one-fourth of the Eastern Region and Al Madinah and approximately one-fifth of Qasim, according to the Eighth Development Plan.

The following table shows distribution of the Kingdom's population among its provinces in 1974, 1992 and 2004:

Region	1974	1992	2004
		(%)	
Riyadh	18.9	22.6	24.1
Makkah	26.1	26.4	25.6
Al Madinah	7.7	6.4	6.7
Qasim	4.7	4.4	4.5
Eastern Region	11.4	15.2	14.8
Asir	10.1	7.9	8.4
Tabuk	2.9	2.9	3.1
Hail	3.9	2.4	2.3
Northern Border	1.9	1.3	1.2
Jizan	6.0	5.1	5.2
Najran	2.2	1.8	1.8
Al-Baha	2.8	2.0	1.7
Al-Jouf	1.4	1.6	1.2
Total	**100%**	**100%**	**100%**

Source: Eighth Development Plan.

Approximately 88% of the total population of the Kingdom lives in or around the major cities and this is expected to increase to 91% by 2015, according to the Eighth Development Plan.

According to the Eighth Development Plan, there is an undersupply of residential properties in the major cities. Riyadh alone is expected to grow from its present size of 800 square kilometers to over 1,800 square kilometers in the next few decades and its population is expected to grow from its current size of over 4.25 million to 10.5 million by 2022, according to the Eight Development Plan. The chambers of commerce of Jeddah and Riyadh have estimated that the cities require another 1.0 and 1.5 million housing units respectively over the next 15 years.

Income, Affordability and Availability of Financing

Average residential prices of approximately SAR2,700 per square meter in the Kingdom appear to be affordable by the 'national' workforce, in view of their income levels. This population subgroup will tend to generate the bulk of the demand for housing. With an average monthly salary of SAR3,600 (reported by Ministry of Labor as of 2008), a private sector Saudi employee should be able to afford a small unit (with an area of 150 square meters), assuming 30% of income used for monthly payments (and is free of interest), as offered by the REDF for a period of 25 years. Additionally, with a preference by nationals for extended families living in larger units, housing units are reasonably affordable for the national workforce in cases where there is more than one income earning member.

According to the Ministry of Economy and Planning, approximately 78% of residential construction in the Kingdom is self financed through cash sales. REDF is responsible for providing financing for approximately 15% of residential construction with Government agencies responsible for approximately 6% and the Ministry of Public Works and Housing responsible for approximately 1%.

The demand for REDF loans is considerable and REDF is not able to meet current demands, with approximately 450,000 applications currently in a waiting list. Total loans disbursed by the REDF since its inception in 1975 up to the end of 2008 amounted to SAR141.6 billion and total outstanding loans stood at SAR75.4 billion at the end of 2008, increasing by 2.7% over 2007, according to the SAMA Report. During 2008, the REDF provided loans in an aggregate amount of SAR5.0 billion, increasing by 40.2% from 2007, according to the SAMA Report. These loans were disbursed for primarily financing construction of owner-occupied housing units.

Private sector financing for house purchases by financial institutions does exist but is currently limited because banks are prohibited from legally owning the deeds to a real estate property except where it has been acquired for business use. In addition, current regulations limit monthly installments to a third of the customer's monthly income. Hence financing is generally unsecured and of shorter tenors than seen internationally. Government initiatives seek to encourage further development of private sector finance. The Eighth Development Plan included a new law designed to create a framework in which appropriate security may be taken for the finance provided. This law is currently in its final approval stages, as discussed in "*Mortgage Law*" below.

Approximately 10% of all new residential properties are financed through home financing from private financial institutions.

Mortgage Law

In early July 2008, the consultative Shoura Council passed the Mortgage Law after completing debate on its four components. The draft law, which has to still be approved by the Council of Ministers, will allow more Saudi nationals to own property and banks to diversify income sources by providing loans to build real estate projects.

The four components of the Mortgage Law are the real estate financing regulations, financing companies auditing regulations, financing renting regulations and the registered real estate mortgage regulations. The Mortgage Law is designed to allow much wider access to property ownership in a country where approximately only one out of five Saudi nationals owns a home. The Shoura Council took three months to study the new system which will benefit all Saudi nationals earning over SAR5,000 per month. The newly introduced mortgage law would allow easier access for a greater number of households to home financing products offered not only by government institution such as REDF, but also from commercial banks and other private home financing companies. According to the Ministry of Economy and Planning, the mortgage market is expected to reach US$23.1 billion by 2012, representing 4% of GDP (compared to approximately 1% currently).

Demand Analysis

The following table shows new demand, replacement demand and unsatisfied demand for housing during the period 2005-2009 by region:

Region	New Demand		Replacement Demand		Total		Unsatisfied Demand for Housing	
	(No.) ('000)	(%)	(No.) ('000)	(%)	(No.) ('000)	(%)	(No.) ('000)	(%)
Riyadh	160	25.5	20	19.5	180	24.7	40	14.8
Makkah	170	27.0	25	24.4	195	26.7	44	16.3
Al Madinah	34	5.4	5	4.9	39	5.3	20	7.4
Qasim	20	3.2	5	4.9	25	3.4	12	4.4
Eastern Region	118	18.8	20	19.5	138	18.9	27	10.0
Asir	30	4.8	5	4.9	35	4.8	32	11.9
Tabuk	13.5	2.2	4	3.9	17.5	2.4	12	4.4
Hail	15	2.4	3	2.9	18	2.5	19	7.0
Northern Border	7	1.1	1.5	1.5	8.5	1.2	8	3.0
Jizan	30	4.8	5	4.9	35	4.8	30	11.1
Najran	7	1.1	2	1.9	9	1.2	8	3.0
Al-Baha	11	1.8	5	4.9	16	2.2	8	3.0
Al-Jouf	12	1.9	2	1.9	14	1.9	10	3.7
Total	**627.5**	**100%**	**102.5**	**100%**	**730**	**100%**	**270**	**100%**

Source: Eighth Development Plan.

Dar Al-Arkan's Analysis of the Demand in the Housing Sector

Assuming the Saudi population will reach 34.5 million by 2024 (slightly less than the number predicted by the World Bank) and the actual person per room figure will fall from to 2.1 in 2005 to 1.8 in 2024, Dar

Al-Arkan estimates that 4.25 million new housing units need to be built in the Kingdom over this period. This would increase the stock of occupied housing units from around 3.99 million units in 2004 to 8.25 million units by 2024. These estimates would result in a long term average demand for new housing units of approximately 210,000 annually from 2005 until 2024. Saudi citizens would require 2.75 million units, or 65% of the total, while non-Saudis would require 1.5 million units, or 35% of the total.

Historically, the aggregate production of the public and private sectors, and charitable foundations, has resulted in residential unit growth of 3% per year. This historical growth rate would produce 3.22 million residential units by 2024, or an average of 160,000 units per year. This translates into an annual shortfall of about 50,000 residential units.

The following chart shows expected housing requirements according to demand component in the period from 2005 to 2024:

	Housing Gap Deficiency	Population Growth Demand	Units Replacement Demand	Vacancy Replacement Demand	Total
Saudis	414,261	1,808,229	398,738	134,574	**2,755,802**
Non-Saudis	492,018	744,083	197,292	66,586	**1,499,979**
Total	**906,279**	**2,552,312**	**596,030**	**201,160**	**4,255,781**

Source: Eight Development Plan.

The majority of units required are apartments, reflecting a changing preference among housing types. It is estimated that apartments will constitute 48% of housing units in 2024, as opposed to 38% in 2004. This is partly due to the young population in the country, as many Saudis will enter the job market and income sensitivity will lead this segment of the population to settle for more affordable housing.

The following table shows the total housing requirements (estimated at 4,250,000 residential units) by dwelling type by the end of 2024:

	Rate in the housing stock %			Estimated housing requirements
Dwelling Type	**1992**	**2004**	**2024**	**2005-2024**
Traditional	33	28	19	810,000
Villa	16	18	20	855,000
Floor within a villa or traditional	9	10	10	450,000
Apartment	31	38	48	2,000,000
Others	12	6	2	135,000
Total	**100%**	**100%**	**100%**	**4,250,000**

Source: Ministry of Economy and Planning.

The following table shows expected total population requirements for housing in the period from 2005 to 2024:

	2005-2009 Projection	2010-2014 Projection	2015-2019 Projection	2020-2024 Projection	Total
Total population (in million, end of period)[(1)]	24.39	26.52	28.26	29.86	**29.86**
Total required residential units	1,027	1,063	1,089	1,077	**4,256**
Cumulative required stock (old and new stock)	5,017	6,080	7,169	8,246	**8,246**
Existing housing stock at current rates	4,626	5,363	6,217	7,207	**7,207**

Source: King Abdulaziz City for Science and Technology, Ministry of Economy and Planning.

(1) As per the 8th Development Plan.

Based on the table above, the following table shows market under-supply and the gap between supply and demand:

	2005-2009 Projection	2010-2014 Projection	2015-2019 Projection	2020-2024 Projection	Total
	(in '000 except percentage)				
Market under-supply(1)	391	717	952	1,039	**1,039**
Gap % supply and demand(2)	8%	13%	15%	14%	**14%**

(1) Calculated as the difference between the cumulative required stock and the existing housing stocks at current rates.

(2) Calculated as the market under supply divided by the existing housing stocks at current rates.

BUSINESS

Overview

Dar Al-Arkan is a leading real estate developer in the Kingdom. Dar Al-Arkan is involved in all major aspects of real estate development, including sourcing and purchasing land, overseeing design and construction and marketing and sales.

Dar Al-Arkan's operations are focused principally on the development of Land Projects and the development of Residential and Commercial Projects. For the years ended December 31, 2009 and 2008, revenues from Land Projects were SAR4.9 billion (US$1.3 billion) and SAR4.6 billion (US$1.2 billion), respectively, which accounted for 90.5% and 82.3%, respectively, of Dar Al-Arkan's total revenues. For the years ended December 31, 2009 and 2008, Residential and Commercial Projects revenues were SAR519 million (US$138 million) and SAR990 million (US$264 million), respectively, which accounted for 9.5%, and 17.7%, respectively, of Dar Al-Arkan's total revenues.

In 2006, Dar Al-Arkan significantly increased the scope of its Residential and Commercial Projects when it began development of the Al-Qasr project, its first Master-Planned Community. Management expects Dar Al-Arkan's Residential and Commercial Projects to be increasingly Master-Planned Communities and for the proportion of Dar Al-Arkan's total revenues derived from Residential and Commercial Projects to increase over time.

Dar Al-Arkan operates in three business segments, Project Development (Land Projects and Residential and Commercial Projects), Property Management and Real Estate Development Related Investments.

Land Projects

Dar Al-Arkan's Land Projects involve purchasing undeveloped land and planning and developing basic infrastructure for residential and commercial use. Dar Al-Arkan either sells developed land to third party investors or developers, develops a Residential and Commercial Project on the developed land, or develops a Residential and Commercial Project on a portion of the developed land and retains the remaining portion to sell once its value has appreciated due to the completion of the Residential and Commercial Project.

From January 1, 2004 to December 31, 2009, Dar Al-Arkan developed and sold Land Projects consisting of 29.9 million square meters of land.

In October, 2008, the Qasr Khozam Land Project in Jeddah was announced. The Qasr Khozam project is being developed pursuant to an agreement between Dar Al-Arkan and the Jeddah Development and Urban Regeneration Company, an instrumentality of the municipal government of Jeddah. Dar Al-Arkan's total estimated cost for the Qasr Khozam Land Project is SAR10.0 billion (US$2.7 billion). For further discussion of the Qasr Khozam project, see "*—Dar Al-Arkan's Current Projects—Land Projects*".

As of December 31, 2009, Dar Al-Arkan's land bank consisted of SAR8.9 billion (US$2.4 billion) of undeveloped land and SAR4.5 billion (US$1.2 billion) of developed land, all of which was valued on its balance sheet at cost. Management continuously reviews Dar Al-Arkan's inventory of undeveloped land and sells those plots that it considers non-core to Dar Al-Arkan's real estate development operations. For further discussion of Dar Al-Arkan's current land bank, see "*—Dar Al-Arkan's Current Projects—Land Bank*".

Residential and Commercial Projects

Dar Al-Arkan's Residential and Commercial Projects are targeted towards the middle-income segment of the population in the Kingdom. Historically, these projects related primarily to the development and sale of residential units. However, in 2006, Dar Al-Arkan significantly increased the scope of its Residential and Commercial Projects when it began development of the Al-Qasr project, its first Master-Planned Community. In addition to various types of residential villas and apartments, Dar Al-Arkan's Master Planned Communities include commercial facilities (*e.g.*, shopping centers and restaurants), public service facilities (*e.g.*, parks, mosques and schools) and office buildings. Management believes that Al-Qasr is the first large scale project of its type targeted to the middle-income segment of the population in the Kingdom. Going forward, management expects Dar Al-Arkan's Residential and Commercial Projects to increasingly be Master-Planned Communities.

From January 1, 2004 to December 31, 2009, Dar Al-Arkan completed and delivered approximately 9,000 residential units.

As of December 31, 2009, Dar Al-Arkan had three Residential and Commercial Projects under development. Two of these projects are Master-Planned Communities located in Riyadh, Al-Qasr and Shams Ar Riyadh. The other Residential and Commercial Project, Al Tilal, is located in Medinah. These three projects have a total estimated cost of SAR8.9 billion (US$2.4 billion), cover approximately eight million square meters of land and are expected to include approximately 6,000 residential units. For further discussion of these projects, see "*—Dar Al-Arkan's Current Projects—Residential and Commercial Projects under Development*".

In October 2009, Dar Al-Arkan announced its intention to develop the Shams Al-Arous Master-Planned Community in Jeddah. Construction of the project is expected to begin at the end of 2010. The project has a total estimated cost of SAR7.5 billion (US$2.0 billion), is expected to cover approximately 3 million square meters of land and is expected to include more than 10,000 residential units. For further discussion of this project, see "*—Dar Al-Arkan's Current Projects—Recently Announced Residential and Commercial Project*".

Property Management

Dar Al-Arkan has begun to expand its business to include property management by retaining as rental properties certain commercial and residential units on its Master-Planned Communities. By retaining such units, management intends to create an income generating portfolio of rental properties with a goal of establishing a more steady revenue stream and to enable Dar Al-Arkan to benefit from any potential appreciation in the value of such properties. As of December 31, 2009, no significant revenues had been generated from property management operations. Management expects Dar Al-Arkan to begin generating revenues from the leasing of commercial space on the ground levels of apartment buildings and certain apartments on the Al-Qasr Master-Planned Community during 2010. In addition, the office building and commercial mall currently being constructed on the Al-Qasr project are expected to begin generating leasing revenues in 2010 and 2011, respectively. Management also intends to retain as rental properties certain commercial units that will be constructed on the Shams Ar Riyadh Master-Planned Community and certain commercial and residential units that will be constructed on the Shams Al-Arous Master-Planned Community.

As of December 31, 2009, Dar Al-Arkan had invested a total of SAR1.7 billion (US$453 million) out of a total estimated cost of SAR2.2 billion (US$587 million) in the rental properties on the Al-Qasr Master-Planned Community. For further discussion of rental properties on Dar Al-Arkan's projects, see "*—Dar Al-Arkan's Current Projects—Residential and Commercial Projects under Development*".

Real Estate Development Related Investments

Dar Al-Arkan makes strategic minority investments in companies that management believes are complementary to Dar Al-Arkan's real estate development operations. Companies in which Dar Al-Arkan has made strategic minority investments include Saudi Home Loans Company, which provides home financing in the Kingdom, and Unicorn Capital Saudi Arabia, which provides investment banking and other financial services in the Kingdom.

As of December 31, 2009, Dar Al-Arkan had made strategic minority investments in companies that ranged between 15% and 34%, and totaled SAR1.2 billion (US$320 million).

Competitive Strengths

Management believes Dar Al-Arkan has a number of competitive strengths that position it as a leader in the Kingdom's real estate development industry, including:

Ability to develop large scale projects in the Kingdom such as Master Planned Communities

Management believes Dar Al-Arkan is the only Saudi Arabian real estate developer with the financial resources, capacity and expertise (both in-house and through its strategic alliances) to undertake and execute large scale residential and commercial projects in the Kingdom. In addition, management believes Dar Al-Arkan's experience in developing projects in the Kingdom allows Dar Al-Arkan to obtain required regulatory approvals efficiently. Management believes that the economies of scale afforded by large scale projects such as Master-Planned Communities permits Dar Al-Arkan to offer quality housing at more affordable prices than its competitors. Management also believes that affordable prices combined with the quality and convenience of life provided by Dar Al-Arkan's Master-Planned Communities, provides Dar Al-Arkan an advantage over its competitors in addressing the demand for housing among the middle-income segment of the Kingdom's housing market.

Strong reputation in the Kingdom for delivering quality affordable housing

Management believes Dar Al-Arkan was the first private real estate developer of its size to target the middle-income segment of the Kingdom's housing market on a large scale, and that Dar Al-Arkan has a strong reputation among the middle-income segment of the housing market as a company that consistently delivers quality homes at affordable prices. From January 1, 2004 to December 31, 2009, Dar Al-Arkan completed and delivered approximately 9,000 residential units. In addition, management believes that Dar Al-Arkan's reputation in the Kingdom among land owners and real estate brokers provides Dar Al-Arkan with opportunities to acquire land that may not be available to other real estate developers in the Kingdom. Management believes Dar Al-Arkan's reputation among customers, land owners and real estate brokers provides Dar Al-Arkan an advantage over its competitors in addressing the demand for housing among the middle-income segment of the Kingdom's housing market.

Substantial land bank consisting of developed and undeveloped plots

Dar Al-Arkan has a substantial land bank consisting of developed and undeveloped plots. Management believes that Dar Al-Arkan's land bank allows it to take advantage of market opportunities to develop and sell projects with greater efficiency than competitors that need to source and acquire land to develop a project. As of December 31, 2009, Dar Al-Arkan's land bank consisted of SAR8.9 billion (US$2.4 billion) of undeveloped land and SAR4.5 billion (US$1.2 billion) of developed land, all of which was valued on its balance sheet at cost.

Experienced management team

Dar Al-Arkan's senior management has significant experience in both the real estate development industry and their respective areas of specialty. Dar Al-Arkan's Managing Director, Abdullatif Abdullah Al Shelash, has been with Dar Al-Arkan since the company was founded in 1994. Dar Al-Arkan's General Manager, Saud Abdulaziz Al Gusaiyer, has been with Dar Al-Arkan since 2004 and had 20 years of experience in the real estate development industry in the Kingdom before joining Dar Al-Arkan. Pascal Azzam, Dar Al-Arkan's Development and Construction Manager, has 30 years of experience in the field of construction and project management in the Kingdom and the Middle East. Dar Al-Arkan's Chief Financial Officer, Benoit Bellerose, and its Sales and Marketing Manager, Phillip Perkins, have 20 and 15 years of experience in finance and sales and marketing, respectively. In addition, Dar Al-Arkan is highly selective in recruiting human resources both internationally and within the Kingdom.

Access to the international and domestic capital markets

The real estate development industry is by its nature capital intensive. In addition, "off-plan" and "pre-finished" sales of homes are not common practices in the Kingdom, which makes access to financing even more essential in the Kingdom's real estate development industry. In the past three years, Dar Al-Arkan raised funds in three offerings of Sukuk, two international offerings in 2007 for US$600 million and US$1 billion, and one domestic offering in May 2009 for SAR750 million (US$200 million). These international and domestic offerings are the only Sukuk offerings to date by a real estate developer in the Kingdom. In addition, in December 2007, Dar Al-Arkan listed its shares on the Saudi Stock Exchange (Tadawul).

Business Strategy

Dar Al-Arkan's strategy is to maintain its leadership position in the real estate development industry in the Kingdom by focusing on its core competencies, Land Projects and Residential and Commercial Projects, and by expanding its business operations to include property management. The following is a summary of key aspects of Dar Al-Arkan's business strategy:

Increase revenues from Residential and Commercial Projects

In 2006, Dar Al-Arkan significantly increased the scope of its Residential and Commercial Projects when it began development of the Al-Qasr project, its first Master-Planned Community. Increasing the scope of Residential and Commercial Projects will allow Dar Al-Arkan to benefit from revenues generated by developing and selling significant numbers of residential units, as opposed to the more limited amount of revenues derived from developing infrastructure on undeveloped land and selling the land to third party investors and developers. Management expects Dar Al-Arkan's Residential and Commercial Projects to increasingly be Master-Planned Communities and for the proportion of Dar Al-Arkan's revenues derived from Residential and Commercial Projects to increase over time.

Continue to provide affordable quality housing

Demographic trends in the Kingdom, including a young and growing population and decreasing average household sizes, are expected to create a need in the Kingdom for approximately 1.1 million new homes between 2010 and 2014, according the Saudi Arabian Ministry of Economy and Planning. In addition, the middle class in the Kingdom is expected to grow due to government initiatives such as the establishment of new universities and regulations that require companies in the Kingdom to employ a certain number of citizens of the Kingdom. Management believes Dar Al-Arkan was the first private real estate developer of its size to target the middle-income segment of the Kingdom's housing market on a large scale. From January 1, 2004 to December 31, 2009, Dar Al-Arkan completed and delivered approximately 9,000 residential units. Dar Al-Arkan intends to continue to focus its Residential and Commercial projects on addressing demand for housing among the middle-income segment of the market, in particular through the development of its Master-Planned Communities.

Focus on the development of Master-Planned Communities

In 2006, Dar Al-Arkan began development of the Al-Qasr project in Riyadh, its first Master-Planned Community. Management believes that Al-Qasr is the first large scale project of its type targeted to the middle-income segment of the population in the Kingdom. In addition to Al-Qasr, Dar Al-Arkan is also currently developing the Shams Ar Riyadh Master-Planned Community in Riyadh. And in October 2009, Dar Al-Arkan announced its intention to develop the Shams Al-Arous Master-Planned Community in Jeddah. Management expects Dar Al-Arkan's Residential and Commercial Projects to continue to be increasingly Master-Planned Communities. Management believes that affordable prices combined with the quality and convenience of life provided by Master-Planned Communities will allow Dar Al-Arkan to address the demand for quality affordable housing among the middle-income segment of the population.

Expand business through property management services

Dar Al-Arkan has begun to expand its business to include property management by retaining as rental properties certain commercial and residential units on its Master-Planned Communities. By retaining such units, management intends to create an income generating portfolio of rental properties with a goal of establishing a more steady revenue stream and to enable Dar Al-Arkan to benefit from any potential appreciation in the value of such properties. Management expects Dar Al-Arkan to begin generating revenues from the leasing of commercial space on the ground levels of apartment buildings and certain apartments on the Al-Qasr Master-Planned Community during 2010. In addition, the office building and commercial mall currently being constructed on the Al-Qasr project are expected to begin generating leasing revenues in 2010 and 2011, respectively. Management also intends to retain as rental properties certain commercial units that will be constructed on the Shams Ar Riyadh Master-Planned Community and certain commercial and residential units that will be constructed on the Shams Al-Arous Master-Planned Community.

Continue to make strategic minority investments in businesses complementing real estate development operations

Dar Al-Arkan makes strategic minority investments in companies that management believes are complementary to Dar Al-Arkan's real estate development operations. Companies in which Dar Al-Arkan has made strategic minority investments include Saudi Home Loans Company, which provides home financing in the Kingdom, and Unicorn Capital Saudi Arabia, which provides investment banking and other financial services in the Kingdom. Management intends to continue to consider strategic minority investments in the future.

History and Background

Corporate History

Based in Riyadh, Dar Al-Arkan was established in 1994 by six prominent business families in the Kingdom. Dar Al-Arkan's registered office is PO Box 105633, Riyadh, 11656, Saudi Arabia, and its telephone number is + 966 1 206 9888. In addition to its head office in Riyadh, Dar Al-Arkan has offices and branches across the Kingdom, including Makkah, Jeddah and Madinah. As of December 31, 2009, Dar Al-Arkan had seven branches and 485 employees.

From July 2002 to January 2004, Dar Al-Arkan operated as a limited liability company with a capital base of SAR140 million (US$37 million). Dar Al-Arkan increased its capital to SAR5.40 billion (US$1.44 billion) through a private placement in the domestic market in 2004 while converting to a partnership limited by shares. Dar Al-Arkan converted to a joint stock company in 2005. In December 2007, Dar Al-Arkan listed its ordinary shares on the Saudi Stock Exchange (Tadawul All Share Index) under the symbol 4300. Dar Al-Arkan increased its capital again in October 2008 and July 2009 by issuing to its shareholders 180 million and 360 million bonus shares of par value of SAR10 each, respectively.

Dar Al-Arkan's issued capital as of December 31, 2009 stood at SAR10.8 billion (US$2.9 billion) divided into 1.08 billion ordinary shares of par value of SAR10 each (US$2.67). As of December 31, 2009, the founding shareholders of Dar Al-Arkan and their family members beneficially owned approximately 70% of Dar Al-Arkan's ordinary shares, either directly or through companies that they control. For a more detailed discussion of the ownership of Dar Al-Arkan's ordinary shares, see "*Principal Shareholders*".

Key Stages of Dar Al-Arkan's Development

Below is a summary of the key stages of Dar Al-Arkan's development:

Stage I (1994 to 1999)

Dar Al-Arkan primarily operated in the Central region of the Kingdom during its initial years of operations. During this period Dar Al-Arkan began to monitor market dynamics, develop business processes and conduct market research. Dar Al-Arkan's operations during this period primarily consisted of purchasing large plots of undeveloped land and planning and developing basic infrastructure relating to residential and commercial use, such as water, sewage, electricity and other utilities, as well as paved streets and sidewalks. Dar Al-Arkan then typically sold the developed land to third party investors or developers. The development and sale of residential units was limited during this period.

Stage II (2000 to 2004)

Dar Al-Arkan's business began to expand to the Western and Eastern regions of the Kingdom during this period. In addition to developing basic infrastructure on undeveloped land to sell to third parties, there was a gradual shift toward developing and selling residential units, particularly for the middle-income segment of the market.

Stage III (2005 to November 2007)

Dar Al-Arkan operated in all three of the major regions of the Kingdom (*i.e.*, Eastern, Western and Central) and continued to expand operations relating to the development and sale of residential units during this period. In 2006, Dar Al-Arkan significantly increased the scope of its projects when it began development of Al-Qasr, its first Master-Planned Community.

Stage IV (December 2007 to date)

Dar Al-Arkan continued to expand the scope of its development operations, in particular through the development of Master-Planned Communities. In 2007, Dar Al-Arkan began development of Shams Ar Riyadh, its second Master-Planned Community. And in October 2009, Dar Al-Arkan announced its intention to develop Shams Al-Arous, its third Master-Planned Community. To fund the growth of its operations, Dar Al-Arkan began to access the domestic and international capital markets. Dar Al-Arkan raised funds through three offerings of Sukuk, two international offerings in 2007 for US$600 million and US$1 billion, and one domestic offering in May 2009 for SAR750 million (US$200 million). In addition, in December 2007 Dar Al-Arkan listed its shares on the Saudi Stock Exchange (Tadawul) under the symbol

4300, and its founding shareholders offered the equivalent of 11.01% of Dar Al-Arkan's then outstanding shares to the public through an initial public offering of Dar Al-Arkan's ordinary shares in the Kingdom.

Business Operations

Dar Al-Arkan operates in three business segments, Project Development (Land Projects and Residential and Commercial Projects), Property Management and Real Estate Development Related Investments.

Dar Al-Arkan's operations are focused principally on the development and sale of Land Projects and the development of Residential and Commercial Projects and the sale of residential units on such projects. Dar Al-Arkan is involved in all major aspects of real estate development, including sourcing and purchasing land, overseeing design and construction and marketing and sales.

In 2006, Dar Al-Arkan significantly increased the scope of its Residential and Commercial Projects when it began development of the Al-Qasr project, its first Master-Planned Community. Management expects Dar Al-Arkan's Residential and Commercial Projects to be increasingly Master-Planned Communities and for the proportion of Dar Al-Arkan's total revenues derived from Residential and Commercial Projects to increase over time.

Land Projects

Dar Al-Arkan's Land Projects involve purchasing large plots of undeveloped land and planning and developing basic infrastructure relating to residential and commercial use, such as water, sewage, electricity and other utilities, as well as paved streets and sidewalks. Dar Al-Arkan ensures that the basic infrastructure is adequate to allow the land to be zoned for its intended use.

Once Land Projects are complete, Dar Al-Arkan sells the developed land to third party investors or developers, develops a Residential and Commercial Project on the developed land, or develops a Residential and Commercial Project on a portion of the developed land and retains the remaining portion to sell once its value has appreciated due to the completion of the Residential and Commercial Project.

From January 1, 2004 to December 31, 2009, Dar Al-Arkan developed and sold Land Projects consisting of 29.9 million square meters of land.

In October 2008, the Qasr Khozam Land Project in Jeddah was announced. The Qasr Khozam project is being developed pursuant to an agreement between Dar Al-Arkan and the Jeddah Development and Urban Regeneration Company, an instrumentality of the municipal government of Jeddah. Dar Al-Arkan's total estimated cost for the Qasr Khozam Land Project is SAR10 billion (US$2.7 billion). For further discussion of the Qasr Khozam project, see "*—Dar Al-Arkan's Current Projects—Land Projects*".

As of December 31, 2009, Dar Al-Arkan's land bank consisted of SAR8.9 billion (US$2.4 billion) of undeveloped land and SAR4.5 billion (US$1.2 billion) of developed land, all of which was valued on its balance sheet at cost. Management continuously reviews Dar Al-Arkan's inventory of undeveloped land and sells those plots that it considers non-core to Dar Al-Arkan's real estate development operations. For further discussion of Dar Al-Arkan's current land bank, see "*—Dar Al-Arkan's Current Projects—Land Bank*".

Residential and Commercial Projects

Dar Al-Arkan's Residential and Commercial Projects are targeted towards the middle-income segment of the population in the Kingdom. Historically, these projects related primarily to the development and sale of residential units. However, in 2006, Dar Al-Arkan significantly increased the scope of its Residential and Commercial Projects when it began development of the Al-Qasr project, its first Master-Planned Community. In addition to various types of residential villas and apartments, Dar Al-Arkan's Master Planned Communities include commercial facilities (*e.g.*, shopping centers and restaurants), public service facilities (*e.g.*, parks, mosques and schools) and office buildings. Management believes that Al-Qasr is the first large scale project of its type targeted to the middle-income segment of the population in the Kingdom. Going forward, management expects Dar Al-Arkan's Residential and Commercial Projects to increasingly be Master-Planned Communities.

From January 1, 2004 to December 31, 2009, Dar Al-Arkan completed and delivered approximately 9,000 residential units.

As of December 31, 2009, Dar Al-Arkan had three Residential and Commercial Projects under development. Two of these projects are Master-Planned Communities located in Riyadh, Al-Qasr and Shams Ar Riyadh. The other Residential and Commercial Project, Al Tilal, is located in Medinah. These three projects have a total estimated cost of SAR8.9 billion (US$2.4 billion), cover approximately eight million square meters of land and will include approximately 6,000 residential units. For further discussion of these projects, see "*—Dar Al-Arkan's Current Projects—Residential and Commercial Projects under Development*".

In October 2009, Dar Al-Arkan announced its intention to develop the Shams Al-Arous Master-Planned Community in Jeddah. Construction of the project is expected to begin at the end of 2010. The project has a total estimated cost of SAR7.5 billion (US$2 billion), is expected to cover approximately 3 million square meters of land and is expected to include more than 10,000 residential units. For further discussion of this project, see "*—Dar Al-Arkan's Current Projects—Recently Announced Residential and Commercial Project*".

Property Management

Dar Al-Arkan has begun to expand its business to include property management by retaining as rental properties certain commercial and residential units on its Master-Planned Communities. By retaining such units, management intends to create an income generating portfolio of rental properties with a goal of establishing a more steady revenue stream and to enable Dar Al-Arkan to benefit from any potential appreciation in the value of such properties. As of December 31, 2009, no significant revenues had been generated from property management operations. Management expects Dar Al-Arkan to begin generating revenues from the leasing of commercial space on the ground levels of apartment buildings and certain apartments on the Al-Qasr Master-Planned Community during 2010. In addition, the office building and commercial mall currently being constructed on the Al-Qasr project are expected to begin generating leasing revenues in 2010 and 2011, respectively. Management also intends to retain as rental properties certain commercial units that will be constructed on the Shams Ar Riyadh Master-Planned Community and certain commercial and residential units that will be constructed on the Shams Al-Arous Master-Planned Community.

As of December 31, 2009, Dar Al-Arkan had invested a total of SAR1.7 billion (US$453 million) out of a total estimated cost of SAR2.2 billion (US$587 million) in the rental properties on the Al-Qasr Master-Planned Community. For further discussion of rental properties on Dar Al-Arkan's projects, see "*—Dar Al-Arkan's Current Projects—Residential and Commercial Projects under Development*".

Real Estate Development Related Investments

Dar Al-Arkan makes strategic investments in companies that management believes are complementary to Dar Al-Arkan's real estate development operations. Companies in which Dar Al-Arkan has made strategic investments include Saudi Home Loans Company, which provides home financing in the Kingdom, and Unicorn Capital Saudi Arabia, which provides investment banking and other financial services in the Kingdom.

As of December 31, 2009, Dar Al-Arkan had made minority investments in such companies that ranged between 15% and 34%, and totaled SAR1.2 billion (US$320 million).

Project Development

Dar Al-Arkan applies quality management systems in its project development process and was the first real estate development company in the Kingdom to obtain an ISO 9001 Certification for quality management systems.

The development cycle for a Land Project is typically between one and two years. Depending on the size, the development cycle for a Residential and Commercial Project ranges between three and seven years. Master-Planned Communities generally have development cycles on the high end of this range.

Phasing of Project Development

For large Residential and Commercial Projects such as Master-Planned Communities, Dar Al-Arkan typically divides development into separate phases. In initial phases, a limited number of residential units are constructed. In later phases, larger numbers of residential units are constructed as well as public facility, commercial and office superstructures. For each phase, Dar Al-Arkan enters into separate sets of agreements with contractors, which, among other things, allows it to assess construction costs at the time of development. At the end of each phase, completed units are sold and/or leased. On a typical Residential and Commercial Project multiple phases in different stages of development are ongoing simultaneously.

Phased development allows Dar Al-Arkan to retain flexibility to speed up or slow down development of a project based on market conditions, and to avoid carrying a large inventory of unsold units in the event of unexpected market declines. In addition, phased development enables Dar Al-Arkan to adapt construction of each phase to meet changes in demand for different types, styles and sizes of units that may occur due to shifts in consumer preferences or other factors. Phased development also limits the amount of capital Dar Al-Arkan must commit to a single project during a period of time. In addition, phased development allows Dar Al-Arkan to use revenues from the sale of units in one phase to help fund the development of other phases.

Stages of Project Development

Dar Al-Arkan's divides the project development process into six separate stages.

Stage One—Land Sourcing & Acquisition

Land sourcing is a critical part of the first stage in the development process. Dar Al-Arkan sources land either through solicitations or its own market research. Dar Al-Arkan regularly receives invitations to purchase undeveloped land from land owners and real estate brokers. Management analyzes each invitation to ascertain the suitability of the land for development, including a review of key considerations such as the location and size of the land parcel. Dar Al-Arkan also conducts extensive market research to identify areas within the Kingdom which could benefit from its development projects, particularly its Master-Planned Communities. Once identified, Dar Al-Arkan searches for appropriate land parcels for development.

Dar Al-Arkan's land acquisition process involves extensive due diligence and feasibility analysis. The process is overseen by Dar Al-Arkan's senior management and the investment committee of its Board of Directors. Due diligence involves a number of steps to verify the land is available and suitable for development. These steps include a review of land deeds, a review of government and public institution publications related to the area, investigative and interrogative interviews with municipalities, local notary publics and reputable master planners and site inspection by Dar Al-Arkan's senior management. Feasibility analysis involves a number of considerations to determine the potential profitability of the land, including topography and its location within a particular municipality or neighborhood, as well as previous offers for undeveloped and developed land in the area. If a decision is made to acquire the land Dar Al-Arkan conducts negotiations to acquire the land.

Stage Two—Project Planning

The creation of a master plan is the first part of the second stage in the development process. Preparation of the master plan is done in cooperation with third party planning consultants and is overseen by the Dar Al-Arkan's engineering department and its senior management. The master plan relates to site improvements necessary for the undeveloped land to be zoned for residential and commercial purposes. The master plan typically will allocate approximately 10% of the land for basic infrastructure, such as water, sewage, electricity and other utilities, as well as paved streets and sidewalks. The master plan must ultimately be approved by the local municipal government. To obtain such approval, the master plan must also allocate a minimum of 33% of the land to accommodate public facilities, such as schools, police stations and mosques. Once a master plan is created, a budget and schedule is prepared for the project. Next, a detailed design for the project is created in cooperation with third party design consultants and is overseen by the Dar Al-Arkan's engineering department and its senior management.

Stage Three—Site Development

The site development stage primarily involves site clearance, design, lay-out and other land planning activities. Dar Al-Arkan does not directly engage in any construction on its projects, including construction relating to site development. Site development construction is contracted to third parties through an open tender process. For further discussion of the process involved in selecting contractors *see* "*—Contracting and Sub-Contracting*".

Stage Four—Land Development

The land development stage involves construction of basic infrastructure relating to residential and commercial use, such as water, sewage, electricity and other utilities, as well as paved streets and sidewalks. Dar Al-Arkan ensures that the basic infrastructure is adequate to allow the land to be zoned for its intended use. As in the site development stage, the actual construction is contracted to third parties through an open tender process. Dar Al-Arkan oversees all aspects of the land development stage, including the application of materials and technology used in the construction.

At the end of this stage, Dar Al-Arkan owns developed land plots and decides to either:

- sell the developed land to third party investors or developers;
- develop a Residential and Commercial Project on the developed land; or
- develop a Residential and Commercial Project on a portion of the developed land and attempt to sell the remaining portion once its value has appreciated due to the completion of the Residential and Commercial Project.

These decisions vary on a project by project basis and are based on several factors relating to potential profitability, including market conditions and the topography and location of the land. These decisions are made by senior management with contributions and oversight from Dar Al-Arkan's building and construction department, the executive and investment committees of Dar Al-Arkan's Board of Directors, as well as Turner Construction (USA), a company with which Dar Al-Arkan has entered into a strategic alliance (as discussed below). Dar Al-Arkan's currently expects to increase the portion of developed plots allocated to Residential and Commercial Projects, which will be focused on developing Master-Planned Communities.

It typically takes between one and two years for Dar Al-Arkan to complete a Land Project. The timetable depends on the size of the site and its topography, as well as other requirements, mainly relating to the relevant soil characteristics.

Stage Five—Superstructure

If developed land is allocated for Residential and Commercial Projects, Dar Al-Arkan undertakes to develop the appropriate superstructures for villas and apartments. In Master-Planned Communities, apartment buildings may contain commercial space on the ground floor. Dar Al-Arkan also typically develops the parks and mosques on its Master-Planned Communities, although for other public facilities (*e.g.*, schools and police stations), Dar Al-Arkan allocates the land and the relevant municipal government is responsible for the development of the structures. With respect to developed land allocated for stand alone commercial and office buildings, Dar Al-Arkan makes a business decision on a project-to-project basis about which buildings to retain as rental properties. Where Dar Al-Arkan intends to retain a building as a rental property, it will undertake to construct the building. Where Dar Al-Arkan does not intend to retain a building as a rental property, it will sell the developed land to another developer who will undertake to construct the building.

The superstructure stage includes developing a design and construction plan with an architectural firm. The construction of superstructures is contracted to third parties through an open tender process. Dar Al-Arkan and the architectural firm each oversee the construction of superstructures, with assistance from Turner Construction. Any deviations from the original designs or plans must be approved by Dar Al-Arkan and the architectural firm. At the conclusion of this stage, Dar Al-Arkan owns semi-developed buildings.

Stage Six—Finishing

The final stage relates to finishing work on the semi-developed buildings, which includes cladding, ceramic and woodwork, mechanical and electric work, plastering and painting and internal and external decorative work. At the end of this stage Dar Al-Arkan owns fully developed and finished buildings.

Contracting and Sub-Contracting

Dar Al-Arkan contracts with third parties for much of the work related to the development of its projects, which involves awarding and managing work performed by several contractors and sub-contractors. These third parties include companies that perform site clearance and the construction of basic infrastructure relating to water, sewage, electricity and other utilities, as well as paved streets and sidewalks. Dar Al-Arkan also contracts with architecture firms and construction companies to design and build superstructures on its projects, as well as with contractors to perform other work related to superstructures, such as cladding, ceramic, wood, mechanical, electrical, plumbing, plastering, painting and decorative work.

In recent years, with the assistance of Turner Construction, Dar Al-Arkan has developed an in-house rating system to ascertain the expertise and qualifications of contractors in its database. Dar Al-Arkan has developed this database by inviting the majority of the contractors operating in the Kingdom to submit to Dar Al-Arkan's internal rating system and become part of the database. Criteria relating to the internal rating system include: financial review, previous projects undertaken and completed, feedback from previous clients and site visits.

Dar Al-Arkan invites all contractors meeting a certain threshold pursuant to its internal rating systems to bid for providing services on a project-by-project basis. Bids are assessed by Dar Al-Arkan's bid committee (made up of representatives from the risk management, internal audit and engineering departments) and senior management, with assistance from Turner Construction. Preliminary recommendations are then made to the executive committee, which makes final decisions on awarding of contracts. Dar Al-Arkan seeks to award contracts to multiple contractors for each project to avoid concentration of risk.

Dar Al-Arkan's agreements with contractors typically specify a fixed price to be paid to the contractor and a schedule for the completion of their work. Under the agreements, contractors are responsible for obtaining and paying for all labor, materials and equipment necessary to complete their work. Contractors are also required to purchase and maintain insurance related to the project while under development and their work on the project. In certain instances, such as the agreement to construct the commercial mall on the Al-Qasr Master-Planned Community, agreements provide for prices to be adjusted during the term of the agreement in the event that costs of construction materials significantly increase. Any such price increases must be based upon specific evidence of cost increases provided by the contractor to Dar Al-Arkan and the amount of any price increase must be agreed to by Dar Al-Arkan. In addition, price adjustments may occur during the term of an agreement in the event that Dar Al-Arkan materially increases the scope of the work required from the contractor.

Raw Materials

Contractors and subcontractors that work on Dar Al-Arkan's development projects are directly responsible for sourcing and purchasing construction materials related to their work on the development projects. However, the availability and price of construction materials to contractors and subcontractors impacts the ultimate contract price. For further discussion regarding the availability and fluctuation of prices of construction materials see "*Risk Factors—Risks relating to Dar Al-Arkan—Recent increases in construction costs in the Kingdom may continue and Dar Al-Arkan may not be able reflect such cost increases in its selling or rental prices*".

Strategic Alliance with Turner Construction (USA)

In 2005, Dar Al-Arkan entered into a program management services agreement with Turner Construction, an international construction management consulting firm. The agreement is renewable annually and is currently in effect through July 2010. Under the agreement, Turner Construction provides consulting services with respect to the planning and development of Dar Al-Arkan's projects, as well as people management. Employees of Turner Construction are currently assigned to Dar Al-Arkan's head offices and to each of Dar Al-Arkan's development projects.

The project planning services Turner Construction provides include assistance with creating feasibility analyzes for projects, determining the phases in which projects are developed and decisions regarding the technical details of infrastructure design. The project development services Turner Construction provides include assistance with the preparation of requests for bids to contractors, analyzing bids from contractors, awarding contracts, managing the work of contractors, approving the work of contractors and recommending payment to contractors upon completion of their work. The people management services Turner Construction provides primarily involves assistance in the recruitment and training of Dar Al-Arkan's employees.

Although Turner Construction is actively involved in all of Dar Al-Arkan's current development projects, management expects Turner Construction's level of involvement in Dar Al-Arkan's operations to decrease in the future as Dar Al-Arkan continues to develop its internal capabilities.

Municipal Governments

The primary regulators that Dar Al-Arkan interacts with in developing its projects are the municipal governments where the projects are located. Dar Al-Arkan must obtain approvals from such municipalities at various stages during the development of its projects.

Before development of a project can begin, Dar Al-Arkan must submit the master plan to the municipality for approval. The master plan sets forth site improvements necessary for the undeveloped land to be zoned for residential and commercial purposes. In order to receive the municipality's approval, a minimum of 33% of the land must be allocated to accommodate public facilities, such as schools, police stations, mosques and roads. Municipalities also require that the master plan meet certain other requirements, such as providing for roads that are wide enough to accommodate anticipated traffic on the project.

Once the master plan is approved, Dar Al-Arkan must submit to the municipality a detailed plan relating to the project's infrastructure. Municipalities require the infrastructure plan to provide for enough sewage, water and electricity to accommodate the total built-up area of the project, the expected number of inhabitants and the number of commercial and residential units. The infrastructure plan is reviewed by various departments within the municipality before it is approved. When the infrastructure plan is approved, Dar Al-Arkan is issued a final approval certificate from the municipality and it is permitted to commence construction of the project's infrastructure.

To construct residential and commercial units, Dar Al-Arkan must receive a construction permit from the municipality. To obtain this permit, Dar Al-Arkan submits a plan to the municipality showing the plan for each building. The plan for each building must meet standards set by the municipality, which, among other things, require a building to be built on only a certain percentage of the land allocated for that building. Once the municipality grants the construction permit, Dar Al-Arkan is permitted to commence construction of the residential and commercial units.

Upon the completion of residential and commercial units in accordance with the plans that were approved by the municipality, Dar Al-Arkan is issued building completion certificates from the municipality which allows Dar Al-Arkan to sell or lease the units.

Marketing and Sales

Marketing and Sales of Land Projects

Dar Al-Arkan sells its Land Projects to a wide variety of participants in the real estate market, including high-net worth individuals, institutional investors and small to medium size real estate developers. Dar Al-Arkan typically sells its Land Projects in one of three ways:

- through direct sales teams based in Dar Al-Arkan's seven branch offices throughout the Kingdom;
- through local real estate agents/brokers (such agents/brokers are compensated directly by the buyer); or
- through public auctions held on-site, which are actively pre-marketed (extensive analysis is performed to determine the potential profitability of an auction before this manner is chosen).

Dar Al-Arkan sells Land Projects pursuant to a standard form sales contract, under which it delivers title to the developed land in exchange for the agreed purchase price. Once a contract is signed and title is delivered to a buyer, Dar Al-Arkan has no further obligations with respect to the developed land. Dar Al-Arkan directly extends credit to certain buyers that management deems credit worthy. In such cases, Dar Al-Arkan typically receives a deposit of approximately 20% at the time the sales contract is signed, and the balance is paid in installments over a period that is generally no longer than three months. As of December 31, 2009, there had never been a payment default with respect to such credit sales.

Marketing and Sales of Residential and Commercial Projects

There are three stages during which Dar Al-Arkan may opt to market and sell units on a Residential and Commercial Project to the end buyer:

- "Off-Plan"—just after Stage Four—Land Development; or
- "Pre-Finished"—during Stage Five—Superstructure (when approximately 75% of the relevant residential unit has been completed); or
- "Finished"—after completion of Stage Six—Finishing.

Dar Al-Arkan's senior management, together with the Executive and Investment Committees of its board of directors, determines the portion of Residential and Commercial Projects to be marketed and sold during the three stages identified above.

Dar Al-Arkan has historically marketed and sold substantially all of the units on its Residential and Commercial Projects during the "finished" stage. "Off-plan" and "pre-finished" home sales are not common in the Kingdom. However, as the Kingdom housing market matures and becomes more familiar with the concept of Master-Planned Communities, management expects that more residential units will be marketed and sold during the pre-finished stages. Management expects the Shams Ar-Riyadh Master-Planned Community to be the first Residential and Commercial Project of Dar Al-Arkan to be substantially marketed and sold during the pre-finished stages.

Dar Al-Arkan sells the majority of units in its Residential and Commercial Projects through sales offices set up on-site and designed to cater to walk-in clients or leads obtained via Dar Al-Arkan's central call center. All prospective customers are handled by a sales team responsible for operating and managing the on-site sales offices and compensated on a salary/commission basis. Such sales are facilitated by heavy marketing campaigns undertaken by Dar Al-Arkan for each Residential and Commercial Project via various media channels, including television, newspaper and magazine advertisements, the Internet and billboards throughout the Kingdom. Additionally, Dar Al-Arkan sells a small number of Residential and Commercial Projects through real estate agencies.

Dar Al-Arkan sells residential units on its Residential and Commercial Projects pursuant to a standard form sales contract, under which it delivers possession of the unit upon receipt of the full purchase price. The sales contract also provides for ownership of a prorated share of any common areas in the Residential and Commercial Project to be allocated to the home buyer. Under the sales contract, Dar Al-Arkan provides one year of free maintenance for residential units. In addition, the sales contract assigns to home buyers the ten year statutory warranty on the superstructure that is made by the contractors who construct the units.

Marketing and Leasing of Commercial and Residential Units on Master-Planned Communities

Dar Al-Arkan has begun to expand its business to include property management. Management intends to retain as rental properties certain commercial and residential units on its Master-Planned Communities. With respect to Dar Al-Arkan's first Master-Planned Community, Al-Qasr, management intends to lease commercial space on the ground levels of apartment buildings as well as certain apartments. In addition, Dar Al-Arkan intends to retain as rental properties the commercial space in the commercial mall and the office space in the office building being constructed on the project.

For commercial units, Dar Al-Arkan will target tenants that provide the products and services it believes are necessary to make its Master-Planned Communities self-contained living environments. Such tenants will include banks, pharmacies, dry cleaners, convenience stores, cafes and restaurants. For residential units, Dar Al-Arkan will target individuals and families, as well as bulk leases for employees of corporations, universities and hospitals.

Management intends for Dar Al-Arkan to rent commercial and residential units pursuant to standard form lease agreements. The standard form residential lease agreement will require tenants to pay the full amount of annual rent at the beginning of each year in the lease term. Dar Al-Arkan will be responsible for maintaining its residential rental units, including common areas. Tenants will pay Dar Al-Arkan annual maintenance fees in consideration of these maintenance services. The standard form commercial lease agreement will require tenants to pay annual rent in two installments, the first at the beginning of the year and the second at the end of the first six months of the year. Dar Al-Arkan will be responsible for maintaining its commercial rental units. A tenant must use the commercial unit for the sole purpose stipulated in the commercial lease agreement, which cannot be changed without Dar Al-Arkan's prior written consent.

Dar Al-Arkan's Current Projects

Residential and Commercial Projects Under Development

As of December 31, 2009, Dar Al-Arkan had three Residential and Commercial Projects under development, two of which were Master-Planned Communities. The two Master-Planned Communities, Al-Qasr and Shams Ar Riyadh, are each located in Riyadh. The other Residential and Commercial Project, Al Tilal, is located in Medinah.

The following table shows certain information relating to Dar Al-Arkan's Residential and Commercial Projects under development, as of December 31, 2009.

Main Projects	Location	Residential Units for Sale	Residential Units for Rent	Commercial/ Office Leasing (m^2)	Total costs paid (SAR'000)	Completion %	Expected completion date	Total estimated cost (SAR'000)
Al Tilal	Medinah	500	—	—	375,000	99%	2010	375,000
Al-Qasr	Riyadh	1,733	1,318	82,258	1,750,000	97%	2010	1,800,000
Al-Qasr—Mall	Riyadh	—	—	78,584	605,000	64%	2010	950,000
Shams Ar Riyadh . . .	Riyadh	2,694	—	—(1)	1,450,000	25%	2012	5,800,000
		4,927	**1,318**	**160,842**	**4,180,000**			**8,925,000**

(1) Management intends to construct certain commercial units on the Shams Ar Riyadh project to retain as rental properties. However, management has not yet determined the amount of space that will be available for leasing.

Al-Tilal

The Al-Tilal project is located in southern Medinah, south of Hijra Road, and covers approximately 2.1 million square meters of developed land. The project is in the Bani Bayyada Area to the east of Mount Ayr, which overlooks the project. The project is approximately 7 kilometers from the Holy Prophet Mosque and falls partially within the Haram zone boundaries, which is considered a desirable area by many Muslims. The Haram area boundary line passes through the project from east to west and divides the project into two sections, north and south. Al-Tilal is designed to cater to the middle-income market segment and consists of 500 residential villas, designed in traditional Arabic and Neo Classic architectural themes.

The total estimated cost of the Al-Tilal project is approximately SAR375 million (US$100 million). As of December 31, 2009, the project was substantially completed. As of December 31, 2009, 150 residential units had been sold, and all of the residential units are expected to be sold by mid-2010.

Al-Qasr

In 2006 Dar Al-Arkan began development of Al-Qasr, its first Master-Planned Community. The project is located in the Al-Swaidi suburb of Riyadh and has a built up area of approximately 1.2 million square meters. Al-Qasr includes various public service and commercial facilities, such as mosques, public parks, green belts, entertainment areas, retail areas and Dar Al-Arkan's first enclosed commercial mall. The project also includes an office building. Al-Qasr is designed to cater to the lower bracket of the middle-income market segment and to house approximately 13,000 people.

Al-Qasr is divided into five zones and has 3,051 residential units, comprised of 254 villas and 2,797 apartments. There are four types of villas, and 16 types of apartments, of varying styles and sizes. Of the 2,797 apartments, 1,479 are available for sale, while the remaining 1,318 apartments are being retained by Dar Al-Arkan as rental properties. Dar Al-Arkan is also retaining as rental properties the approximately 63,000 square meters of commercial space on the ground levels of apartment buildings on the project.

The commercial mall will have four levels, a parking zone in the basement and approximately 78,000 square meters of commercial space that Dar Al-Arkan will retain as rental properties. The tenant mix will include department and retail stores, cafes, restaurants and a hypermarket. The office building will have approximately 19,000 square meters of office space that Dar Al-Arkan will retain as rental properties.

The total estimated cost of the Al-Qasr project, excluding the cost of the commercial mall, is approximately SAR1.8 billion (US$480 million). The total estimated cost of the Al-Qasr commercial mall is approximately SAR950 million (US$253 million). The Al-Qasr project is expected to be fully completed by early 2010, except for the commercial mall and the office building which are expected to be fully completed late in 2010. As of December 31, 2009, 1,346 of the 1,733 residential units available for sale had been sold. All of the residential units available for sale are expected to be sold by early 2010. Leasing of the apartments on Al-Qasr is expected to commence in early 2010 and most of the units are expected to be leased by the end of 2010. Leasing of the commercial space in the mall and the office space in the office building is expected to commence during 2010.

Shams Ar Riyadh

In 2007 Dar Al-Arkan began development of Shams Ar-Riyadh, its second Master-Planned Community. The project is located in Riyadh's Al-Dariyia district and is one of the largest residential development projects ever initiated in the Kingdom, comprising a total area of 5.0 million square meters. Notable features of Shams Ar Riyadh include higher land altitude, wide roads, pedestrian sidewalks and scenic landscaping. Shams Ar Riyadh is designed to cater to the middle to upper bracket of the middle-income market segment.

Shams Ar Riyadh is expected to include 2,694 villas built on an area of approximately 1.2 million square meters, designed in traditional Arabic, Nadj/Sante Fe, Mediterranean and Modern architectural styles, and in a range of sizes. The project will also have built up areas for public service and commercial facilities. Management intends to sell all of the residential units on the project and to construct certain commercial units to retain as rental properties. In addition, management intends to develop up to 3 million square meters of built up area for commercial use to sell to third party investors and developers.

The total estimated cost of the Shams Ar Riyadh project is approximately SAR5.8 billion (US$1.5 billion). Construction of the first 250 residential units on Shams Ar Riyadh is expected to begin in early 2010. The entire project is expected to be completed during 2012. "Pre-finished" sales of residential units on Shams Ar Riyadh are expected to commence during 2010.

Recently Announced Residential and Commercial Project

Shams Al-Arous

The Shams Al-Arous project was announced in October 2009, and it will be Dar Al-Arkan's third Master-Planned Community. The project is located approximately 12 kilometers from downtown Jeddah, and it covers an area of approximately 3 million square meters. The project is expected to include more than 10,000 residential units, consisting of various types of villas and apartments, as well as public service and commercial facilities. The project is also expected to include office buildings.

Construction of the first 2,000 residential units on Shams Al-Arous is expected to start at the end of 2010. Management has not yet determined the number of commercial units that will be constructed and retained as rental properties, nor has it determined the numbers of residential units that will be available for sale and the number that will be retained as rental properties.

The total estimated cost of the first phase of the project is approximately SAR1.5 billion (US$400 million). The first phase of the project is expected to be competed in 2012. The total estimated cost of the entire project is SAR7.5 billion (US$2 billion). The entire project is expected to be completed in 2016. Sales of residential units are expected to commence on Shams Al-Arous during 2011.

Land Projects

Qasr Khozam

The Qasr Khozam project was announced by his Majesty, King Abdullah in October 2008. The project is being developed pursuant to an agreement between Dar Al-Arkan and Jeddah Development and Urban Regeneration Company, an instrumentality of the municipality of Jeddah. The project consists of approximately 4.0 million square meters of land and is located in the central south east region of Jeddah, near the port and the district of Al Balad, the original city center of Jeddah. The project is intended to revitalize the city center of Jeddah into a fully sustainable central business district. Existing infrastructure will be replaced entirely with infrastructure that will support wide roads, a light rail transportation system and highrise buildings.

Pursuant to an agreement dated April 23, 2008 with the Jeddah Development and Urban Regeneration Company, Khozam Real Estate Development Company was formed to develop the Qasr Khozam project. Dar Al-Arkan owns 51% of the equity in Khozam Real Estate Development Company and the Jeddah Development and Urban Regeneration Company owns the remaining 49%. The agreement provides Dar Al-Arkan an exclusive right to develop the project for an initial period of five years. Under the agreement and the articles of association of Khozam Real Estate Development Company, Dar Al-Arkan is responsible for performing a feasibility study and creating a master plan for the project. In addition, Dar Al-Arkan is responsible for developing basic infrastructure relating to residential and commercial use, such as water, sewage, electricity and other utilities, as well as paved streets and sidewalks. Khozam Real Estate Development Company was created in October 2009. As of December 31, 2009 no revenues had been earned or expenses incurred by Khozam Real Estate Development Company.

The land development stage of the project is expected to commence in 2010 and to take six years to complete. Dar Al-Arkan is committed only to this stage of the project under the agreement and the articles of association of Khozam Real Estate Development Company. Dar Al-Arkan's expected cost for the project is SAR10 billion (US$2.7 billion).

Land Bank

In addition to the projects discussed above, Dar Al-Arkan has a substantial land bank. As of December 31, 2009, Dar Al-Arkan's land bank consisted of approximately SAR8.9 billion (US$2.4 billion) of undeveloped land and approximately SAR4.5 billion (US$1.2 billion) of developed land, all of which was valued on its balance sheet at cost. In the future, Dar Al-Arkan may decide to use such land for its development projects, or it may sell such land. Management continuously reviews Dar Al-Arkan's inventory of undeveloped land and disposes of those plots that it considers non-core to Dar Al-Arkan's real estate development operations.

Administrative Systems and Technology

Dar Al-Arkan uses state of the art information technology systems to organize its project development operations. Dar Al-Arkan uses an oracle based enterprise resource planning tool (which includes a property management module), as well as Primavera, an engineering and project management application.

Intellectual Property

Save for Dar Al-Arkan's logo, which is registered as a trademark in the Kingdom, there are no other trade marks, patents, copyright or other intellectual property rights which are material in relation to the Dar Al-Arkan's business or profitability or on which Dar Al-Arkan is dependent.

Market Research

Dar Al-Arkan has invested significantly in market research. Management believes this has contributed to Dar Al-Arkan's growth over the past few years. Since its inception, Dar Al-Arkan has invested more than SAR25 million (US$6.6 million) in market research. Dar Al-Arkan also commissions research on the real estate development and real estate finance markets. Going forward, Dar Al-Arkan plans to continue to invest in market research.

Competition

Generally, the real estate market in the Kingdom remains highly fragmented. For the sale of its Land Projects, Dar Al-Arkan targets a wide variety of participants in the real estate market, including high-net worth individuals, institutional investors and small to medium size real estate developers. With respect to its Residential and Commercial Projects, Dar Al-Arkan targets the middle-income segment of the real estate market and its primary competitors have historically been small developers who develop projects ranging from 5-20 units.

In recent years larger regional real estate developers have entered the Kingdom's real estate development market, in particular developers from the United Arab Emirates. Certain of these competitors are developing projects similar to Dar Al-Arkan's Master-Planned Communities. These competitors have greater expertise and financial, technical, and marketing resources than the smaller developers with which Dar Al-Arkan has historically competed. Notwithstanding this increase in competition, management believes that Dar Al-Arkan remains a leading real estate developer in the

Kingdom, particularly with respect to Master-Planned Communities targeted to the middle-income segment of the population. See "*Risk Factors—Risks relating to Dar Al-Arkan—The real estate industry in the Kingdom is characterized by strong competition among global and local real estate development companies*".

Legal Proceedings

Dar Al-Arkan is not, and has not been in the twelve months preceding the date of this Offering Memorandum, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Dar Al-Arkan is aware) which may have, or have had in the recent past, significant effects on the Dar Al-Arkan and/or the Group's financial position or profitability.

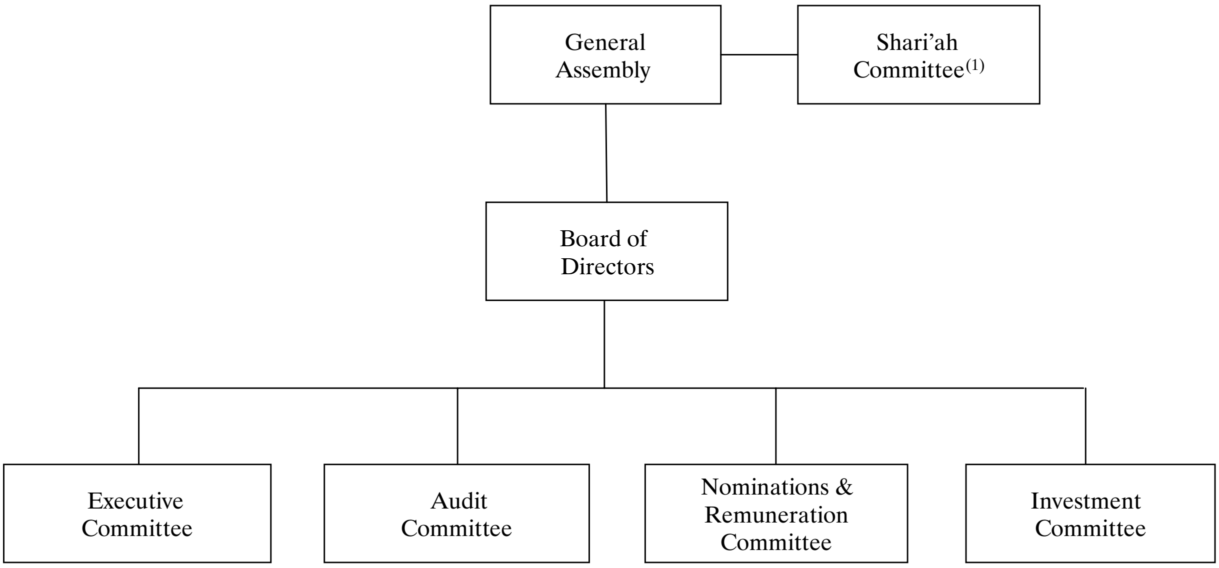
Employees

As of December 31, 2009, Dar Al-Arkan had 485 employees (excluding third party consultants and contractors). Approximately 80% of Dar Al-Arkan's workforce is located in Riyadh where its headquarters are situated. The remaining employees are located in Dar Al-Arkan's branch offices in Makkah, Medinah, Jeddah and Al-Khobar. Of Dar Al-Arkan's 485 employees, 181 are engaged in general and administrative activities, 206 are engaged in activities related to project development, 61 are engaged in activities relating to sales and 37 are engaged in activities relating to marketing.

MANAGEMENT

Overview

The following chart shows the structure of the Dar Al-Arkan's corporate governing bodies, including its general assembly of shareholders, Board of Directors and committees of the Board of Directors:



(1) Currently under formation.

Board of Directors

Dar Al-Arkan's Board of Directors is entrusted with management of Dar Al-Arkan's business. It consists of eleven members who are appointed by a regular meeting of the General Assembly of shareholders for a period not exceeding three years. However, the shareholders have resolved that, as an exception, the current Board of Directors will be allowed to serve for a term of five years expiring at the end of 2012.

The Managing Director of Dar Al-Arkan is appointed by the Board of Directors and the Board of Directors also determines his powers and remuneration. The Board of Directors cannot elect the Chairman of the Board of Directors to be the Managing Director.

The aggregate annual compensation of the Directors is SAR2,200,000 (US$586,667). The Board of Directors has the power to propose its compensation for approval to the General Assembly of Shareholders. The following table shows a list of current members of the Board of Directors and the secretary of the Board of Directors:

Name	Capacity	Age
Yousef Abdullah Al Shelash	Chairman	42
Hethloul Saleh Al Hethloul	Member	45
Abdul Aziz Abdullah Al Shelash	Member	48
Khalid Abdullah Al Shelash	Member	40
Majed Roumi Soliman Al Roumi	Member	43
Tariq Mohammad Ali Al Jarallah	Member	40
Majed Abdul Rahman Al Kasem	Member	37
Abdul Karim Hamad Al Babtain	Member	43
Abdullatif Abdullah Al Shalash	Member—Managing Director	38
Majid Bader Hashim Al-Refai	Member	51
Ayman Abdullah Boodai	Member	54
Abdulrahman Saleh Abdulrahman bin Jaman	Secretary	25

In the previous five years, no member of the Board of Directors of Dar Al-Arkan has been convicted of any fraudulent offence, served as director, partner, founder or senior manager of any organization at the time of any bankruptcy, receivership, any official public incrimination or sanctions by statutory or regulatory authorities, including designated professional bodies, or has been disqualified by a court from acting as a director of an issuer or from acting in the management or conduct of affairs of any issuer.

Except as disclosed herein under the section entitled "*Certain Relationships and Related Party Transactions*", there are no conflicts of interest between the private interests or other duties of Dar Al-Arkan's directors and their duties to Dar Al-Arkan.

Eight of the eleven members of Dar Al-Arkan's board of directors are also founding shareholders of Dar Al-Arkan. Set forth below are brief biographies of each member of the Board of Directors.

Mr. Yousef Abdullah Al Shelash

Mr. Al Shelash (42 years old), is chairman of the board. He is a Saudi national and a founding shareholder of Dar Al-Arkan. Mr. Al Shelash holds a bachelor degree in Islamic Jurisprudence from Imam Mohammed bin Saud University in Riyadh. He is also the chairman of the following entities:

- Eamar Al-Byader;
- Saudi Home Loans Company;
- Unicorn Capital Saudi Arabia; and
- Unicorn Investment Bank, B.S.C. (c).

Mr. Hethloul Saleh Al Hethloul

Mr. Al Hethloul (45 years old) is a Saudi national and a founding shareholder of Dar Al-Arkan. He is also a board member of the following entities:

- Kingdom Installment Company;
- Saudi Home Loans Company;
- Unicorn Capital Saudi Arabia; and
- Unicorn Investment Bank, B.S.C. (c).

Mr. Khalid Abdullah Al Shelash

Mr. Al Shelash (40 years old) is a Saudi national and a founding shareholder of Dar Al-Arkan. Mr. Al Shelash is a graduate of the King Fahad Security Academy and is also a member of the following organizations:

- Chairman of European Real Estate Company; and
- Board Member of Manazel Construction Company.

Mr. Majed Abdul Rahman Al Kasem

Mr. Al Kasem (37 years old) is a Saudi national and a founding shareholder of Dar Al-Arkan. He holds a Bachelors degree in Islamic Studies from Imam Mohammed bin Saud University in Riyadh. He is also a Board Member of Nama Al Sahrah Company.

Mr. Tariq Mohammed Ali Al Jarallah

Mr. Al Jarallah (40 years old), is a Saudi national and a founding shareholder of Dar Al-Arkan. He holds a bachelor degree in management from King Saud University in Riyadh. Mr. A. Jarallah is also a board member of the following entities:

- Saudi Home Loans Company; and
- Nama Al-Sahrah Company.

Mr. Abdul Aziz Abdullah Al Shelash

Mr. Al Shelash (48 years old) is a Saudi national and a founding shareholder of Dar Al-Arkan. Mr. Al Shelash holds a bachelor degree in Islamic Studies from Imam Mohammed bin Saud University in Riyadh.

Mr. Majed Roumi Soliman Al Roumi

Mr. Al Roumi (43 years old) is a Saudi national and a founding shareholder of Dar Al-Arkan. Mr. Al Roumi is a graduate of the Teacher's Collage of Riyadh and is a board member of Eamar Al Byader.

Mr. Abdul Karim Hamad Al Babtain

Mr. Al Babtain (43 years old), is a Saudi national and a founding shareholder of Dar Al-Arkan. Mr. Al Babtain holds a bachelor degree in Islamic Jurisprudence from Imam Mohammed bin Saud University in Riyadh and is a board member of Al-Babtain Power and Telecommunications.

Mr. Abdullatif Abdullah Al-Shalash

Mr. Al Shalash (38 years old), a Saudi national, and has been with Dar Al-Arkan since its inception. Mr. Al Shalash holds a bachelor degree in organization leadership and supervision from Purdue University, Indiana, USA and an MBA from Findly University, Ohio, USA. He is also the managing director of Dar Al-Arkan and a board member of the following entities:

- Saudi Home Loans Company;
- Unicorn Capital Saudi Arabia;
- Unicorn Investment Bank, B.S.C. (c); and
- Eamar Al-Byader.

Mr. Majid Bader Hashim Al-Refai

Mr. Al-Refai (51 years old) is a Kuwaiti national whose prior experience includes Islamic finance including, financial institution building, developing and executing Islamic investment products and financial services, building management teams, establishing credible Islamic Shari'ah scholar boards, developing and executing marketing and funds mobilization strategies. Mr. Al-Refai is the founder, managing director and chief executive officer of Unicorn Investment Bank B.S.C. (c) Bahrain. He also was a founder of Majestic Global Investments Ltd. in 1994.

Mr. Al-Refai holds a bachelor degree in Chemical Engineering and Master of Science in Finance. He is also a board member of the following entities:

- Unicorn Capital Saudi Arabia; and
- Unicorn Investment Bank B.S.C. (c).

Mr. Ayman Abdulla Boodai

Mr. Boodai (54 years old) is a Kuwaiti national whose prior experience includes financial analysis, portfolio management, investment and strategic planning. Mr. Boodai is the chairman & managing director of the Securities House Company (Kuwait), vice chairman of Al Aman Investment Company (Kuwait), board member of Trustees Gulf University for Technology.

Mr. Boodai holds a diploma in Banking Studies from Institute of Banking Studies Kuwait (1979). He is also a board member of the Securities House Company, Kuwait.

Mr. Abdulrahman Saleh Abdulrahman bin Jaman

Mr. Abdulrahman bin Jaman (25 years old) is a Saudi national and has broad knowledge of regulations and company procedures; employees, employers and contracts. Mr. Abdulrahman bin Jaman holds a bachelor's degree from Iman Mohammed bin Saud University in Riyadh, and had previously worked in the law office of Bin Mahfouz and the office of Zamil and Kharashi Advocates and Legal Consultants. He received his training in the judiciary and has served Dar Al-Arkan in the post of Legal Advisor and then Secretary of the Board of Directors.

Committees

Executive Committee

The Executive Committee is comprised of the Chairman of the Board of Directors in addition to two board members, all of whom are appointed by the Board of Directors. Its major responsibilities are as follows:

- meet on a weekly basis to evaluate commitments and progress of various projects as well as to monitor and evaluate the land acquisition and investment process in conjunction with the Investment Committee and senior management;
- monitor and evaluate the overall performance of Dar Al-Arkan and resolve any issues of production progress, action plans, resource allocations;
- review and resolve any outstanding financial and administrative issues; and
- take corrective measures in order to ensure that Dar Al-Arkan achieves its periodical targets.

Audit Committee

The Audit Committee is comprised of four board members who are appointed by the Board of Directors. Its major functional responsibilities are as follows:

- audit financial transactions to ensure compliance with predetermined budget and accounting systems;
- monitor internal control systems, processes and related policies to ensure their effective functioning, in addition to monitoring risk;
- monitor compliance with quality control processes;
- insures economic viability of various sources of funding as well as compliance of such sources to Islamic finance principles; and
- instantaneous reporting to appropriate levels of management on any significant control failure or weakness identified.

Nominations and Remuneration Committee

The Nomination and Remuneration Committee is comprised of the Chairman of the Board of Directors in addition to two board members, all of whom are appointed by the general assembly of the shareholders of Dar Al-Arkan. The major functional responsibilities of this committee are as follows:

- nominate individuals for membership on the Board of Directors;
- conduct annual reviews of capabilities and scope of responsibilities relating to board membership and to report on the same regularly;
- recommending appropriate changes/modifications to (including but not limited to) compensation structures and nomination procedures;
- report on any conflict of interest and recommend remedial actions; and
- develop clear policies and criteria for rewarding board members.

Investment Committee

The Investment Committee is comprised of five board members appointed by the general assembly of Dar Al-Arkan. Its major responsibilities are as follows:

- monitor investments and adherence to investment management policies, including but not limited to land acquisition;
- review all key agreements, contracts and commitments prior to Dar Al-Arkan making any key investments;
- study investment applications and make necessary recommendations;
- facilitate the overall investment procedure; and
- evaluate investment performance on a regular basis.

Shari'ah Committee (under formation)

The Shari'ah Committee is currently under formation. When formed, it is expected to be comprised of three members who will be recognized Islamic scholars. The main responsibilities of the Shari'ah Committee will be to ensure that Dar Al-Arkan operates in compliance with the rules and precepts of Shari'ah.

Senior Management

Senior management of Dar Al-Arkan is composed of professionals with significant experience in the field of real estate development and their respective areas of specialty. Each member of the senior management has specific responsibilities and is subject to the oversight by the managing director of the Board of Directors.

The aggregate annual compensation of the Managing Director, General Manager, Chief Financial Officer and two other highest paid executive officers is SAR6.9 million (US$1.8 million). These executive officers are also eligible for annual performance bonuses of up to 25% of their base salaries.

The following table shows a list of current members of Dar Al-Arkan's senior management:

Name	Position	Age
Mr. Abdullatif Abdullah Al Shalash	Managing Director	38
Saud Abdulaziz Al Gusaiyer	General Manager	46
Benoit Bellerose	Chief Financial Officer	43
Pascal Azzam	Development and Construction Manager	56
Phillip Perkins	Sales and Marketing Manager	42
Olayan H. Alotaibi	Information Technology Manager	47
Abdulrahman A. Al Dakheel	Property Management Manager	48
Carlos E. Del Pino	Risk Management Manager	58
Mohammed Al-Shammari	Human Resources and Administrative Manager	43
Abdullah Murad	General Legal Counsel	43
Dr. Abdulrahman Salem Alkheraigi	Corporate Communications Manager	50

In the previous five years, no member of Dar Al-Arkan's senior management has been convicted of any fraudulent offence, served as director, partner, founder or senior manager of any organization at the time of any bankruptcy, receivership, any official public incrimination or sanctions by statutory or regulatory authorities, including designated professional bodies.

Except as disclosed herein under the section entitled *"Certain Relationships and Related Party Transactions*", there are no conflicts of interest between the private interests or other duties of Dar Al-Arkan's senior management and their duties to Dar Al-Arkan.

Set forth below are brief biographies of each member of the senior management of Dar Al-Arkan:

Mr. Abdullatif Abdullah Al Shalash—Managing Director

See above for Mr. Al Shalash's biography.

Saud Abdulaziz Al Gusaiyer—General Manager

Mr. Al Gusaiyer is a Saudi national with over 22 years of experience in the real estate development industry. He joined Dar Al-Arkan in 2004. He has worked for the Royal Commission for Jubail & Yanbu (Bechtel management) as Director of projects Department, for FAMA Holding Company as General Manager for Projects and Development for a period of 10 years. He has also worked in the fields of pre cast concrete, design, production and marketing.

Mr. Benoit Bellerose—Chief Financial Officer

Mr. Bellerose, who joined Dar Al-Arkan in 2008, holds a bachelor degree in accounting and finance from Quebec University, Canada and is a certified chartered accountant. Mr. Bellerose has 20 years of experience in finance. Prior to joining Dar Al-Arkan, Mr. Bellerose was Vice President Finance and Control for MCI/WorldCom's operations in Europe, Middle East and Africa. He has also held various financial positions in Canada, Brazil, Western and Eastern Europe.

Mr. Pascal Azzam—Development and Construction Manager

Mr. Azzam joined Dar Al-Arkan in 2009. Mr. Azzam is a graduate from the University of Wisconsin USA, with a major in engineering and computer science. He has approximately 30 years of experience in the field of construction and project management in the GCC region. Prior to joining Dar Al-Arkan, Mr. Azzam was Vice President Project Management for Omniyat Properties and Chief Operating Officer for Tatweer/Mizin, a member of Dubai Holding. He was also the founder/owner of Areen Maintenance & Contracting Company, Jordan.

Mr. Phillip Perkins—Sales and Marketing Manager

Mr. Perkins joined Dar Al-Arkan in 2009. Mr. Perkins holds a Master degree in Real Estate Marketing from Columbia University, New York, USA as well as a Master degree in Urban Planning from University of California Los Angeles, USA. Mr. Perkins has more than 15 years of experience in marketing and sales. Prior to joining Dar Al-Arkan, Mr. Perkins was Vice President of Sales Marketing for Ryland Homes (California) and held similar senior positions for other large national builders in USA such as Centex and KB Home.

Mr. Olayan H. Alotaibi—Information Technology Manager

Mr. Alotaibi joined Dar Al-Arkan in 2004. Mr. Alotaibi holds a Masters degree in Computer Science from Ball State University at Muncie, Indiana, USA. and a B.Sc. in Computer Information Systems from Arkansas State University at Jonesboro, Arkansas, USA. Mr. Alotaibi has 21 years of experience in the information technology field. He has worked at Makshaff Services Limited as Information Technology Manager, and at the Saudi Arabian Department of Customs Information Centre in the areas of Systems Development, Database Administration and Information Systems Management.

Mr. Abdulrahman A. Al Dakheel—Property Management Manager

Mr. Al Dakheel joined Dar Al-Arkan in 2008. Prior to joining Dar Al-Arkan, he worked from 1999 to 2008 as Regional Property Director at Savola Group Real Estate Division, where he was responsible for the management of six malls of the Savola Group. From 1998 to 1999, he was also General Manager at Fafa Advertizing Agency and from 1987 to 1998, he was Regional Manager at Panda Retail Division, where he was responsible for the management of seven Panda supermarkets in the Eastern Division. Mr. Abdulrahman is member of Middle East Council of Shopping Centers and International Council of Shopping Centers.

Carlos E. Del Pino—Risk Management Manager

Mr. Del Pino joined Dar Al-Arkan in January 2008. Mr. Del Pino holds a BS degree from Winthrop University, South Carolina, USA. His professional background includes 25 years of international experience in the areas of risk management, risk assessment and audit assurance acquired in major multinational companies such as, Countrywide Financial Corporation where he was Senior Vice President Enterprise Risk Assessment, responsible for Operational Risk; Hughes Electronics Inc. Operations Planning Director, responsible for the oversight of eight countries' operations and Chief Audit Executive; Chiquita Brands International, Audit Manager; ContiGroup Companies, Inc and Philip Morris Companies.

Mr. Mohammed Al-Shammari—Human Resources and Administrative Manager

Mr. Al-Shammari joined Dar Al-Arkan in 2009. Mr. Al-Shammari holds a Master Degree in Human Resources Development from Indiana State University, USA. Prior to joining Dar Al-Arkan, Mr. Al-Shammari served as Chief Human Resources Officer of SOFINCO SAUDI FRANSI (sister company of Banque Saudi Fransi) and worked 13 years as Deputy HR Manager in Banque Saudi Fransi. Throughout his career Mr. Al-Shammari has had extensive experience in human resources, administration, personnel training, government relations, compensation and benefits and premises and security.

Mr. Abdullah Murad—General Legal Counsel

Mr. Murad joined Dar Al-Arkan in 2008. Mr. Murad holds a Masters degree in comparative law from Tulane University at New Orleans, Louisiana, USA. Prior to joining Dar Al-Arkan, Mr. Murad was Vice President of SEDCO Legal Department a leading wealth management company in Saudi Arabia. In addition, he serves as Dar Al-Arkan's corporate secretary. Prior to this, Mr. Murad practiced for 18 years in corporate and private law with an international law firm and Saudi Civil Aviation Authority and Jeddah Chamber of Commerce. Mr. Murad is an advocate, licensed to practice law before all municipal jurisdictions of Saudi Arabia. He is a partner in Fallata & Murad law firm and an Associate of the American Bar Association (ABA) and a Fellow of the Saudi Institute of Arbitrators, the Kingdom.

Dr. Abdulrahman Salem Alkheraigi—Corporate Communications Manager

Dr. Alkheraigi joined Dar Al-Arkan in 2008. He holds a doctorate degree from the School of Journalism and Mass Communications at the University of Wisconsin, USA. He obtained his Masters in Mass Communications from Denver University, USA. Prior to joining Dar Al-Arkan, Dr. Abdulrahman was Senior Public & Media Relations Officer for the Organization of the Petroleum Exporting Countries (OPEC), and the Senior Information Officer for OPEC Fund for International Development in Vienna, Austria. Dr. Abdulrahman also worked as Assistant Professor of International and Intercultural Communications at King Saud University from 1990 to 2000.

Corporate Governance

Dar Al-Arkan complies with the Corporate Governance Regulations of the Capital Market Authority to ensure the protection of shareholders' and stakeholders' rights and the implementation of sustained disclosure and transparency pertaining to Dar Al-Arkan's activities.

PRINCIPAL SHAREHOLDERS

Dar Al-Arkan was founded in 1994 by members of the following six families: (i) Al Shelash; (ii) Al Hethloul; (iii) Al Roumi; (iv) Al Jarallah; (v) Al Kasem; and (vi) Al Babtain. As of December 31, 2009, the founding shareholders of Dar Al-Arkan and their family members beneficially owned approximately 70% of Dar Al-Arkan's ordinary shares, either directly or indirectly through companies that they control.

The following table sets forth certain information regarding the beneficial ownership of the ordinary shares of Dar Al-Arkan as of December 31, 2009, by: (i) persons or entities known to Dar Al-Arkan to be beneficial owners of more than 5% of Dar Al-Arkan's ordinary shares; (ii) each of Dar Al-Arkan's directors; (iii) Dar Al-Arkan's Managing Director, General Manager, Chief Financial Officer and the two other most highly paid executive officers; and (iv) all current directors and executive officers of Dar Al-Arkan as a group.

Name of Shareholder	Position	Ownership Percentage	No of Shares of SAR10 each
Khalid Abdullah Al Shelash	Director	9.1%	98,352,745
Yousef Abdullah Al Shelash	Director	7.8%	83,989,083
Hethloul Saleh Al Hethloul	Director	6.9%	74,656,963
Majed Abdul Rahman Al Kasem	Director	5.4%	57,859,147
Tariq Mohamed Al Jarallah	Director	3.0%	32,151,915
Abdul Aziz Abdullah Al Shelash	Director	2.7%	29,309,546
Majed Roumi Soliman Al Roumi	Director	1.8%	19,700,963
Abdullatif Abdullah Al Shalash	Director/Managing Director	1.6%	17,589,706
Abdul Kareem Hamad Al Babtain . . .	Director	*	7,029,090
Majid Bader Hashim Al Refai	Director	*	6,399
Ayman Abdullah Boodai	Director	*	99,999
Saud Abdulaziz Al Gusaiyer	General Manager	—	—
Benoit Bellerose	Chief Financial Officer	—	—
Pascal Azzam	Development & Construction Manager	—	—
Philip Perkins	Sales & Marketing Manager	—	—
Directors and Executive Officers (as a group)		39.0%	420,745,556

* Less than 1%

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Dar Al-Arkan has entered into transactions with certain companies in which Dar Al-Arkan's founding shareholders, directors and/or officers have material interests. Management believes that these transactions are based on arm's length principles to accommodate the respective interests of the parties in a manner that is fair and beneficial to both parties. However, there can be no assurance that each of the transactions has been or will be effected on terms no less favorable to Dar Al-Arkan than could have been obtained from unaffiliated third parties. Below is a summary of these transactions.

Transactions between Dar Al-Arkan and Saudi Home Loans Company and Kingdom Installment Company

Saudi Home Loans Company

Saudi Home Loans Company was formed on April 4, 2007 pursuant to a shareholders agreement among Arab National Bank, Dar Al-Arkan, Kingdom Installment Company, certain founding shareholders of Dar Al-Arkan, and the International Finance Corporation. Equity ownership of Saudi Home Loans Company is currently divided as follows: Arab National Bank (40%), Kingdom Installment Company (40%), Dar Al-Arkan (15%) and the International Finance Corporation (5%). Under the terms of the shareholders agreement the current shareholders of Saudi Home Loans Company have agreed to purchase the equity interests of the International Finance Corporation after April 4, 2010, at the option of the International Finance Corporation.

Saudi Home Loans Company provides mortgage financing to home buyers in the Kingdom, primarily to the middle to lower income segment of the market. All of Saudi Home Loans Company's financing products are structured to comply with Shari'ah guidelines. For the years ended December 31, 2009 and 2008, Saudi Home Loans Company financed 12.2% and 16.8% of home purchases on Dar Al-Arkan's Residential and Commercial Projects, respectively. Saudi Home Loans Company finances home purchases on Dar Al-Arkan's Residential and Commercial Projects by directly purchasing homes from Dar Al-Arkan on behalf of individuals who have signed lease to own contracts. Saudi Home Loan Company leases the homes to such individuals and these individuals take ownership of the homes upon expiration of the lease term if they have satisfied all of their obligations under the lease to own contract.

During the years ended December 31, 2009 and 2008, Dar Al-Arkan entered into home financing transactions with Saudi Home Loans Company in amounts totaling SAR63.1 million (US$16.8 million) and SAR166.7 million (US$44.5 million), respectively. As of December 31, 2009, Saudi Home Loans Company owed approximately SAR2.7 million (US$0.7 million) to Dar Al-Arkan in connection with these transactions.

The following founding shareholders and/or directors of Dar Al-Arkan have indirect equity interests in Saudi Home Loans Company through their collective 100% ownership of the equity in Kingdom Installment Company: Majed Roumi Soliman Al Roumi, Tariq Mohammed Ali Al Jarallah and Abdul Aziz Abdullah Al Shelash.

The following founding shareholders and/or directors of Dar Al-Arkan are directors of Saudi Home Loans Company: Yousef Abdullah Al Shelash, Hethloul Saleh Al Hethoul, Tariq Mohammed Ali Al Jarallah and Abdullatif Abdullah Al-Shalash.

Kingdom Installment Company

Kingdom Installment Company was created in 2001 by certain of Dar Al-Arkan's founding shareholders to provide mortgage financing to purchasers of homes on Dar Al-Arkan's Residential and Commercial Projects. For the year ended December 31, 2007 Kingdom Installment Company financed 26.8% of home purchases on Dar Al-Arkan's Residential and Commercial Projects. Kingdom Installment Company financed home purchasers on Dar Al-Arkan's Residential and Commercial Projects by directly purchasing homes from Dar Al-Arkan on behalf of individuals who had signed lease to own contracts. Kingdom Installment Company leased the homes to such individuals and these individuals take ownership of the homes upon expiration of the lease term if they have satisfied all of their obligations under the lease to own contract.

Kingdom Installment Company ceased providing financing to home purchasers on Dar Al-Arkan's Residential and Commercial Projects at the end of 2007. Beginning in 2008, financing to home purchasers on Dar Al-Arkan's Residential and Commercial Projects has been provided by Saudi Home Loans Company.

During the year ended December 31, 2007 Dar Al-Arkan entered into home financing transactions with Kingdom Installment Company in amounts totaling approximately SAR355 million (US$94.7 million).

Kingdom Installment Company is wholly owned by the following founding shareholders and directors of Dar Al-Arkan: Majed Roumi Soliman Al Roumi, Tariq Mohammed Ali Al Jarallah and Abdul Aziz Abdullah Al Shelash. In addition, Hethloul Saleh Al Hethloul, a director of Dar Al-Arkan, is a director of Kingdom Installment Company.

Transactions between Dar Al-Arkan and Unicorn Investment Bank B.S.C.

During the years ended December 31, 2009, 2008 and 2007, Dar Al-Arkan entered into a number of transactions with Unicorn Investment Bank B.S.C., relating to capital raising transactions and general financial advisory services. The transactions included Unicorn Investment Bank B.S.C. acting as financial advisor and Shari'ah advisor in Dar Al-Arkan's domestic Sukuk offering for SAR750 million (US$200 million) in 2009, and joint lead manager and Shari'ah advisor in its two international Sukuk offerings for US$600 million and US$1 billion in 2007. The transactions also included Unicorn Investment Bank B.S.C. assisting Dar Al-Arkan in the creation of business strategies and in searches for joint venture partners. Unicorn Investment Bank B.S.C. is also acting as joint bookrunner and joint lead manager and Shari'ah advisor in the offering of Certificates pursuant to this Offering Memorandum.

During the years ended December 31, 2009, 2008 and 2007, Dar Al-Arkan paid fees to Unicorn Investment Bank B.S.C. in connection with capital raising transactions and general financial advisory services in aggregate amounts of SAR12.4 million (US$3.3 million), SAR20.4 million (US$5.5 million) and SAR64.1 million (US$17.1 million), respectively.

The following founding shareholders and/or directors of Dar Al-Arkan have equity ownership interests in Unicorn Investment Bank B.S.C.: Yousef Abdullah Al Shelash (7.3%), Majed Bader Hashim Al Refai (7.3%) Hethloul Saleh Al Hethloul (6.8%) and Abdullatif Abdullah Al Shalash (6.8%). In addition, Majed Bader Hashim Al Refai is the Chief Executive Officer and a board member of Unicorn Investment Bank B.S.C. There is no express agreement among the persons listed above to act jointly with respect to their ownership interests in Unicorn Investment Bank B.S.C.

Transactions between Dar Al-Arkan and Al-Babtain Contracting Co.

For the year ended December 31, 2008, Dar Al-Arkan entered into transactions with Al-Babtain Contracting Co. in aggregate amounts of approximately SAR247 million (US$66 million). The transactions related to construction of electricity infrastructure on Dar Al-Arkan's Residential and Commercial Projects. Contracts were awarded to Al-Babtain Power and Telecom Contracting Co. pursuant to an open tender process for bids.

Abdul Kareem Hamad Al Babtain, who is a founding shareholder and director of Dar Al-Arkan, is a minority shareholder of Al-Babtain Power and Telecom Contracting Co.

Transactions between Dar Al-Arkan and Manazel Construction Company

For the year ended December 31, 2007 Dar Al-Arkan entered into a transaction with Manazel Construction Company in an amount of approximately SAR356 million (US$95 million). The transaction related to construction on Dar Al-Arkan's Residential and Commercial Projects.

Khalid Abdullah Al Shelash, who is a founding shareholder and director of Dar Al-Arkan, owns a significant equity interest in Manazel Construction Company. Mr. Al Shelash is also a director of Manazel Construction Company. In addition, Manazel Construction Company owns 4% of Dar Al-Arkan's outstanding shares.

DESCRIPTION OF OTHER INDEBTEDNESS

Prior Sukuk Offerings

Dar Al-Arkan has raised funds in three prior offerings of Sukuk, two international offerings in 2007 in aggregate principal amounts of US$600 million and US$1 billion, and one domestic offering in May 2009 in aggregate principal amount of SAR750 million (US$200 million). The principal amounts of the US$600 million, US$1 billion and SAR750 million (US$200 million) Sukuk are due to be repaid on March 7, 2010, July 16, 2012 and April 15, 2014, respectively.

Below are summaries of the principal commercial terms and the structures of these outstanding Sukuk.

Sukuk I

Sukuk I Commercial Terms

In March 2007, Dar Al-Arkan issued Sukuk due March 7, 2010 (the "**Sukuk I**") in an aggregate principal amount of US$600 million (SAR2.25 billion), through an offshore special purpose company. Periodic payments are made to the Sukuk I holders on the seventh (7th) day of March, June, September and December until and including March 7, 2010. The periodic payments are calculated as a percentage rate per annum equal to three-month LIBOR plus 2% of the aggregate principal amount of the Sukuk I. The Sukuk I are listed on NASDAQ Dubai.

Dar Al-Arkan is subject to financial covenants with respect to the Sukuk I which require it to maintain: (i) shareholders equity of no less than US$2.3 billion; (ii) a ratio of total liabilities to total assets no greater than 0.65:1; and (iii) a current ratio of no less than 1.1:1. As of December 31, 2009, Dar Al-Arkan was in compliance with such financial covenants.

Dar Al-Arkan is also subject to covenants with respect to the Sukuk I which restrict Dar Al-Arkan from: (i) creating certain security interests, including liens over its assets; (ii) disposing of its assets other than in the ordinary course of business; (iii) entering into any amalgamation, demerger, merger or corporate reconstruction; and (iv) substantially changing the general nature of its business. As of December 31, 2009, Dar Al-Arkan was in compliance with such restrictive covenants.

The Sukuk I include customary events of default relating to the obligations of Dar Al-Arkan and the offshore special purpose company issuer, including failure to make periodic or principal payments when due and failure to comply with the financial and restrictive covenants. In addition, it would be an event of default under the Sukuk I if: (i) the founding shareholders of Dar Al-Arkan sold more than 30% of their aggregate stake in Dar Al-Arkan or their collective stake in Dar Al-Arkan otherwise fell below 40%; or (ii) the Kingdom ceased to be a member of the International Monetary Fund or ceased to be entitled to use the general and special resources thereof for a period in excess of 30 consecutive days.

An event of default could result in a requirement to redeem the Sukuk I prior to March 7, 2010. If Dar Al-Arkan is unable to facilitate the redemption of the Sukuk I when required, it could lose title to certain real estate that makes up a portion of its projects. See "—*Sukuk I Structure*".

Sukuk I Structure

With respect to the Sukuk I, Dar Al-Arkan entered into an Ijara Sukuk structure whereby it sold the title to certain land and buildings relating to its projects (the "**Sukuk I Property**") to a special purpose Saudi Arabian limited liability company ("**Sukuk I Saudi SPV**"). Sukuk I Saudi SPV simultaneously sold its beneficial rights and interests in the Sukuk I Property to Dar Al-Arkan International Sukuk Company (the "**Sukuk I Issuer**"), a limited liability company that was incorporated in the Cayman Islands solely to issue the Sukuk I. Sukuk I Saudi SPV and Sukuk I Issuer paid for the Sukuk I Property with the proceeds from the sale of the Sukuk I.

Dar Al-Arkan has entered into a lease of the beneficial rights and interest to the Sukuk I Property with the Sukuk I Issuer for twelve consecutive lease periods of three months (the "**Sukuk I Lease Periods**"), commencing on March 7, 2007 and the ending on March 7, 2010 (the "**Sukuk I Scheduled Redemption Date**"). Rental payments for each Sukuk I Lease Period are calculated to equal the periodic payments payable to the Sukuk I holders. The terms of Sukuk I permit Dar Al-Arkan to replace the land and buildings that make up the Sukuk I Property with land and buildings of equal value.

On the Sukuk I Scheduled Redemption Date, Dar Al-Arkan will be required to buy back the Sukuk I Property for an amount equal to the outstanding principal amount of the Sukuk I. The Sukuk I Issuer will then use the proceeds of the sale to pay the Sukuk I holders for the redemption of the Sukuk I. In addition, Dar Al-Arkan may be required to buy back the Sukuk I Property for an amount equal to the outstanding principal amount of the Sukuk I following the occurrence of an event of default or a total loss or destruction of the Sukuk I Property or any event which renders the Sukuk I Property unfit for any economic use. If Dar Al-Arkan is unable to buy back the Sukuk I Property when required, the Sukuk I Issuer may liquidate the Sukuk I Property in order to pay the Sukuk I holders for the redemption of the Sukuk I.

Sukuk II

Sukuk II Commercial Terms

In July 2007, Dar Al-Arkan issued Sukuk due July 16, 2012 ("**Sukuk II**") in an aggregate principal amount of US$1 billion (SAR3.75 billion), through an offshore special purpose company. Periodic payments are made to the Sukuk II holders on the sixteenth (16th) day of January, April, July and October until and including July 16, 2012. These periodic payments are calculated as a percentage rate per annum equal to three-month LIBOR plus 2.25% of the aggregate principal amount of the Sukuk II. The Sukuk II are listed on NASDAQ Dubai, the Labuan Stock Exchange and the Bahrain Stock Exchange.

Dar Al-Arkan is subject to financial covenants with respect to the Sukuk II which require it to maintain: (i) shareholders equity of no less than US$2.3 billion; (ii) a ratio of total liabilities to total assets no greater than 0.65:1; and (iii) a current ratio of no less than 1.1:1. As of December 31, 2009, Dar Al-Arkan was in compliance with such financial covenants.

Dar Al-Arkan is also subject to covenants with respect to the Sukuk II which restrict Dar Al-Arkan from: (i) creating certain security interests, including liens over its assets; (ii) disposing of its assets other than in the ordinary course of business; (iii) entering into any amalgamation, demerger, merger or corporate reconstruction; and (iv) substantially changing the general nature of its business. As of December 31, 2009, Dar Al-Arkan was in compliance with such restrictive covenants.

The Sukuk II include customary events of default relating to the obligations of Dar Al-Arkan and the offshore special purpose company issuer, including failure to make periodic or principal payments when due and failure to comply with the financial and restrictive covenants. In addition, it would be an event of default under the Sukuk II if: (i) the founding shareholders of Dar Al-Arkan sold more than 30% of their aggregate stake in Dar Al-Arkan or their collective stake in Dar Al-Arkan otherwise falls below 40%; or (ii) the Kingdom ceased to be a member of the International Monetary Fund or ceased to be entitled to use the general and special resources thereof for a period in excess of 30 consecutive days. In addition, the Sukuk II contains a cross default provision under which it would be an event of default under the Sukuk II if, with respect to other indebtedness of Dar Al-Arkan in amounts over US$10 million: (i) amounts are not paid when due; (ii) amounts due are accelerated as a result of an event of default; (iii) amounts due are cancelled or suspended by a creditor as a result of an event of defaultor; or (iv) any creditor becomes entitled to declare such indebtedness due and payable and has not waived such entitlement.

An event of default could result in a requirement to redeem the Sukuk II prior to July 16, 2012. If Dar Al-Arkan is unable to facilitate the redemption of the Sukuk II when required, it could lose title to certain real estate that makes up a portion of its projects. See "*—Sukuk II Structure*".

Sukuk II Structure

With respect to the Sukuk II, Dar Al-Arkan entered into an Ijara Sukuk structure whereby it sold the title to certain land and buildings relating to its projects (the "**Sukuk II Property**") to a special purpose Saudi Arabian limited liability company ("**Sukuk II Saudi SPV**"). Sukuk II Saudi SPV simultaneously sold its beneficial rights and interests in the Sukuk II Property to Dar Al-Arkan International Sukuk Company (the "**Sukuk II Issuer**"), a limited liability company that was incorporated in the Cayman Islands solely to issue the Sukuk II. Sukuk II Saudi SPV and Sukuk II Issuer paid for the Sukuk II Property with the proceeds from the sale of the Sukuk II.

Dar Al-Arkan has entered into a lease of the beneficial rights and interest to the Sukuk II Property with the Sukuk II Issuer for twenty consecutive lease periods of three months (the "**Sukuk II Lease Periods**"), commencing on July 16, 2007 and the ending on July 16, 2012 (the "**Sukuk II Scheduled Redemption Date**"). Rental payments for each Sukuk II Lease Period are calculated to equal the periodic payments payable to the Sukuk II holders. The terms of Sukuk II permit Dar Al-Arkan to replace the land and buildings that make up the Sukuk II Property with land and buildings of equal value.

On the Sukuk II Scheduled Redemption Date, Dar Al-Arkan will be required to buy back the Sukuk II Property for an amount equal to the outstanding principal of the Sukuk II. The Sukuk II Issuer will then use the proceeds of the sale to pay the Sukuk II holders for the redemption of the Sukuk II. In addition, Dar Al-Arkan may be required to buy back the Sukuk II Property for an amount equal to the outstanding principal of the Sukuk II following the occurrence of an event of default. If Dar Al-Arkan is unable to buy back the Sukuk II Property when required, the Sukuk II Issuer may liquidate the Sukuk II Property in order to pay the Sukuk II holders for the redemption of the Sukuk II.

Sukuk III

Sukuk III Commercial Terms

In May 2009, Dar Al-Arkan issued Sukuk due April 15, 2014 ("**Sukuk III**") in an aggregate principal amount of SAR750 million (US$200 million). Periodic payments are made to the Sukuk III holders on the fifteenth (15th) day of January, April, July and October until and including July 15, 2014. These periodic payments are calculated as a percentage rate per annum equal to three-month SIBOR plus 4% of the aggregate principal amount of the Sukuk III. The Sukuk III are not listed on any exchange.

Dar Al-Arkan is subject to financial covenants with respect to the Sukuk III which require it to maintain: (i) shareholders equity of no less than US$2.3 billion; (ii) a ratio of total liabilities to total assets no greater than 0.65:1; and (iii) a current ratio of no less than 1.1:1. As of December 31, 2009, Dar Al-Arkan was in compliance with such financial covenants.

Dar Al-Arkan is also subject to covenants with respect to the Sukuk III which restrict Dar Al-Arkan from: (i) creating certain security interests, including liens over its assets; (ii) disposing of its assets other than in the ordinary course of business; and (iii) substantially changing the general nature of its business. As of December 31, 2009, Dar Al-Arkan was in compliance with such restrictive covenants.

The Sukuk III includes customary events of default relating to the obligations of Dar Al-Arkan, including failure to make periodic or principal payments when due and failure to comply with the financial and restrictive covenants. In addition, it would be an event of default under the Sukuk III if Dar Al-Arkan breached its obligation pursuant to the Sukuk III Guarantee (as such term is defined below) to pay any shortfalls in periodic or principal payments. In addition, the Sukuk III contains a cross default provision under which it would be an event of default under the Sukuk III if, with respect to other indebtedness of Dar Al-Arkan in amounts over US$50 million: (i) amounts are not paid when due; (ii) amounts due are accelerated as a result of an event of default; (iii) amounts due are cancelled or suspended by a creditor as a result of an event of default; or (iv) any creditor becomes entitled to declare such indebtedness due and payable and has not waived such entitlement.

An event of default could result in a requirement to redeem the Sukuk III prior to April 15, 2014. If Dar Al-Arkan is unable to redeem the Sukuk III when required, the Sukuk III holders may enforce the obligation of Dar Al-Arkan pursuant to the Sukuk III Guarantee to pay any shortfalls in periodic or principal payments when due and payable.

Sukuk III Structure

Pursuant to an investment agency agreement between Dar Al-Arkan, acting as investment agent, and the Sukuk III holders' agent, the proceeds of the sale of the Sukuk III have been applied by Dar Al-Arkan through an investment manager (a subsidiary of Dar Al-Arkan) to form a single portfolio of investments consisting of Ijara and Murabaha contracts (together with any proceeds from the Sukuk III not so invested, the "**Sukuk III Assets**") in accordance with an investment plan prepared by Dar Al-Arkan, consisting of a requirement to invest the proceeds from the Sukuk III into Sukuk III Assets generating returns at least equal to the periodic payments and a requirement to ensure satisfaction of certain conditions relating to the preservation of value of the Sukuk III Assets. The Ijara contracts shall at all times constitute a minimum of 51% of the Sukuk III Assets.

The Sukuk III holders have the benefit of a guarantee from Dar Al-Arkan (the "**Sukuk III Guarantee**") pursuant to which Dar Al-Arkan has undertaken to pay to the Sukuk III holders their *pro rata* share of any shortfalls in periodic or principal payments.

Al-Qasr Mall Ijara Facility

Commercial Terms

In 2009, Dar Al-Arkan's wholly owned subsidiary, Al-Qasr Mall Company, entered into an Ijara Facility (the "**Ijara Facility**") with domestic banks (the "**Financiers**") in an amount of SAR400 million (US$107 million). Periodic payments are made to the Financiers on the last day of January, April, July and October until and including January 31, 2012. The periodic payments are calculated as a percentage rate per annum equal to three-month SIBOR plus 2.25% of the outstanding amounts under the Ijara Facility. Outstanding amounts under the Ijara Facility become due and payable on January 31, 2012. As of December 31, 2009, SAR305 million (US$81 million) was outstanding under the Ijara Facility.

The Ijara Facility was entered into to finance the development of the commercial mall on the Al-Qasr Master-Planned Community. The Ijara Facility requires Al-Qasr Mall Company to maintain a ratio of 1:1 with respect to the equity it has contributed to the development of the commercial mall and the amount outstanding under the Ijara Facility. As of December 31, 2009 Al-Qasr Mall Company was in compliance with such requirement.

In connection with the Ijara Facility, Dar Al-Arkan has agreed with the Financiers to maintain 100% equity ownership of Al-Qasr Mall Company and, in the event Al-Qasr Mall Company is unable to meet its obligations under the Ijara Facility, to provide sufficient funds to (or to arrange for sufficient funds to be provided to) Al-Qasr Mall Company to meet such obligations.

The Ijara Facility contains customary events of default relating to the obligations of Al-Qasr Mall Company and Dar Al-Arkan, including failure to make payments when due. In addition, the Ijara Facility contains a cross default provision under which it would be an event of default under the Ijara Facility if, with respect to other indebtedness of Dar Al-Arkan in amounts over SAR20 million: (i) amounts are not paid when due; (ii) amounts due are accelerated as a result of an event of default; or (iii) amounts due are cancelled or suspended by a creditor as a result of an event of default.

The occurrence of an event of default could result in a requirement to pay the outstanding amount under the Ijara Facility before January 31, 2012. If Al-Qasr Mall Company is unable to pay the outstanding amount under the Ijara Facility when it becomes due, it could lose title to the land on which the Al-Qasr mall is being constructed. See "—*Structure*".

Structure

With respect to the Ijara Facility, Al-Qasr Mall Company entered into an Ijara structure whereby it sold the title to the land on which the Al-Qasr mall is being constructed (the "**Ijara Facility Property**") to the Financiers for SAR400 million (US$107 million).

Al-Qasr Mall Company has entered into a lease of the beneficial rights and interest to the Ijara Facility Property for twelve consecutive lease periods of three months (the "**Lease Periods**"), commencing on January 31, 2009 and the ending on January 31, 2012 (the "**Scheduled Maturity Date**"). Rental payments for each Lease Period are calculated to equal the periodic payments payable to the Financiers.

On the Scheduled Maturity Date, Al-Qasr Mall Company will be required to buy back the Ijara Facility Property for an amount equal to the outstanding amounts under the Ijara Facility. In addition, Al-Qasr Mall Company may be required to buy back the Ijara Facility Property following the occurrence of an event of default. If Al-Qasr Mall Company is unable to buy back the Ijara Facility Property when required, the Financiers may liquidate the Ijara Facility Property and use the proceeds thereof to satisfy the amounts owed to them under the Ijara Facility.

Other Debt

Dar Al-Arkan has also entered into a term facility and three revolving facilities with domestic banks. The revolving facilities are all subject to annual renewal at the discretion of the banks. Below are summaries of the principal commercial terms of these facilities.

- In April 2009, Dar Al-Arkan entered into a term facility with a domestic bank in an amount of SAR400 million (US$107 million). Outstanding amounts under the agreement bear finance charges of SIBOR plus 2.25%, which are payable on a quarterly basis. The outstanding amounts under the agreement are repayable in eight equal semi-annual payments starting in October 2010.

- In October 2008, Dar Al-Arkan entered into a revolving facility with a domestic bank in an amount of SAR500 million (US$133 million). Outstanding amounts under the facility bear finance charges of SIBOR plus 3.50%, which are payable quarterly. Outstanding amounts under the facility are secured by certain assets of Dar Al-Arkan. The facility includes financial covenants that require Dar Al-Arkan to maintain certain leverage and profit ratios. Failure to comply with these financial covenants could result in the termination of the facility and the acceleration of the payment of outstanding amounts. As of December 31, 2009 Dar Al-Arkan was in compliance with such financial covenants. As of December 31, 2009, Dar Al-Arkan had utilized all SAR500 million (US$133 million) of this facility.
- In January 2008, Dar Al-Arkan entered into a revolving facility with a domestic bank in an amount of SAR200 million (US$53 million). Outstanding amounts under the facility bear finance charges of SIBOR plus 1.50%, which are payable annually. As of December 31, 2009, Dar Al-Arkan had utilized all SAR200 million (US$53 million) of this facility.
- In April 2008, Dar Al-Arkan entered into a revolving facility with a domestic bank in an amount of SAR200 million (US$53 million). Outstanding amounts under the facility bear finance charges of SIBOR plus 2.75%, which are payable annually. As of December 31, 2009, Dar Al-Arkan had utilized all SAR200 million (US$53 million) of this facility.

THE ISSUER

General

The Issuer was incorporated in the Cayman Islands under registration number MC-233105 as an exempted company with limited liability on November 11, 2009 in accordance with the Companies Law (2009 Revision). The registered office of the Issuer is c/o Maples Finance Limited, PO Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands. The phone number of the Issuer is +1 345 945 7099.

Business/Principal Activities

The Issuer is a special purpose company, formed solely for the purpose of issuing the Certificates and participating in the transactions contemplated by the Transaction Documents to which it is party.

Organizational Structure

The authorized share capital of the Issuer is US$50,000 consisting of 50,000 shares of US$1.00 each, of which 250 shares are fully paid up and issued. The Issuer's entire issued share capital is held on trust by Maples Finance Limited, with its registered office at PO Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands under the terms of a trust for charitable purposes. Maples Finance Limited, as share trustee, has no beneficial interest in, and derives no benefit (other than its fee for acting as share trustee) from, its holding of the issued share capital of the Issuer.

Management/Directors

The affairs of the Issuer will be managed by Maples Finance Limited, a licensed trust company in the Cayman Islands (in such capacity, the "**Trustee Administrator**"), who will provide, amongst other things, corporate administrative services and director services (as well as act as share trustee) for and on behalf of the Issuer pursuant to a corporate services agreement to be dated the Closing Date entered into between the Issuer and the Trustee Administrator (the "**Corporate Services Agreement**").

In consideration of providing such services, the Trustee Administrator will receive various fees payable by the Issuer at rates agreed upon from time to time, plus expenses. The terms of the Corporate Services Agreement provide that either the Issuer or the Trustee Administrator may terminate the Corporate Services Agreement by giving at least 14 days' notice to the other party at any time within 12 months of the happening of any of certain stated events, including any breach by the other party of its obligations under the Corporate Services Agreement. In addition, the Corporate Services Agreement provides that either party shall be entitled to terminate such Agreement by giving at least three months' notice in writing to the other party.

The Trustee Administrator's principal office is PO Box 1093, Boundary Hall, Cricket Square, Grand Cayman KY1-1102, Cayman Islands. The Trustee Administrator will be subject to the overview of the Issuer's Board of Directors.

The directors of the Issuer and their principal occupations are as follows:

Director	Principal Occupation
Guy Major	Business Director and Senior Vice President of Maples Finance Limited
Carlos Farjallah	Senior Vice President of Maples Finance Limited

The business address of the directors of the Issuer is c/o Maples Finance Limited, PO Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands.

There are no conflicts of interest between the private interests or other duties of the Issuer's directors and their duties to the Issuer, save for the fact that the directors are employed by and are officers of the Trustee Administrator.

Financial Statements

The Issuer has not prepared any financial statements since the date of its incorporation. There has been no significant change in the financial or trading position of the Issuer and no material adverse change in the prospects of the Issuer since its incorporation on November 11, 2009.

Legal Proceedings

The Issuer is not, and has not been in the twelve months preceding the date of this Offering Memorandum, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had in the recent past significant effects on the Issuer and/or the Group's financial position or profitability.

TERMS AND CONDITIONS OF THE CERTIFICATES

The following is the text of the Terms and Conditions of the Certificates which (subject to completion and amendment and save for the text in italics) will be endorsed on each Certificate in definitive form (if issued) and will be attached and (subject to the provisions thereof) apply to the Global Certificates:

Each of the US$450,000,000 Certificates due 2015 (the "**Certificates**") represents an undivided beneficial ownership interest in the Trust Assets held on trust by the Trustee (each as defined below) for the holders of such Certificates pursuant to a declaration of trust (as amended or supplemented from time to time, the "**Declaration of Trust**") dated 18 February 2010 (the "**Closing Date**") made between Dar Al-Arkan International Sukuk Company II (the "**Issuer**" and, in its capacity as trustee, the "**Trustee**"), Dar Al-Arkan Real Estate Development Company ("**Dar Al-Arkan**") and Deutsche Trustee Company Limited (the "**Delegate**"). The Certificates are constituted by the Declaration of Trust.

Payments and any delivery relating to the Certificates will be made in accordance with a paying agency agreement dated the Closing Date (as amended or supplemented from time to time, the "**Agency Agreement**") made between the Issuer, the Trustee, Dar Al-Arkan, the Delegate, Deutsche Bank AG, London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**" and, together with any further or other paying agents appointed from time to time in respect of the Certificates, the "**Paying Agents**"), as replacement agent (in such capacity, the "**Replacement Agent**" and, together with any further or other replacement agents appointed from time to time in respect of the Certificates, the "**Replacement Agents**") and as calculation agent (in such capacity, the "**Calculation Agent**"), Deutsche Bank Luxembourg S.A. and Deutsche Bank Trust Company Americas as transfer agents (in such capacity, each a "**Transfer Agent**" and, together with any further or other transfer agents appointed from time to time in respect of the Certificates, the "**Transfer Agents**") and as registrars (in such capacity, each a "**Registrar**" and, collectively, the "**Registrars**"). References to the Delegate, the Principal Paying Agent, the Paying Agents, the Transfer Agents, the Replacement Agents, the Calculation Agent and the Registrars shall include any successor thereto in each case in such capacity.

The statements in these Conditions (the "**Conditions**") include summaries of certain provisions of the Declaration of Trust, the Agency Agreement, the Costs Undertaking, the Guarantee, the Investment Management Agreement and the Sukuk Contracts. Unless given a defined meaning elsewhere in these Conditions or the context requires otherwise, capitalised terms used in these Conditions shall have the meanings given in Condition 19 (*Definitions and Interpretation*). In addition, words and expressions defined and rules of construction and interpretation set out in the Declaration of Trust shall, unless otherwise defined herein or unless the context otherwise requires, have the same meanings herein. Copies of the Transaction Documents are available for inspection by Certificateholders during normal business hours at the specified offices of the Paying Agents. The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Declaration of Trust and those applicable to them of the other Transaction Documents.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Issuer to apply the sums paid by it in respect of its Certificates through the Investment Manager to invest in the Sukuk Portfolio in accordance with the Investment Plan, and to enter into each Transaction Document to which it is a party, subject to the terms and conditions of the Declaration of Trust and these Conditions.

1. Form, Denomination and Title

1.1 Form and Denomination

The Certificates are issued in registered form in face amounts of US$100,000 and integral multiples of US$1,000 in excess thereof. A Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the relevant register (the "**Register**") of Certificateholders which the Issuer will cause to be kept by each Registrar.

Definitive Certificates issued with respect to the Restricted Certificates (the "**Restricted Definitive Certificates**") will bear the Rule 144A Legend (as defined in the Declaration of Trust), unless determined otherwise in accordance with the provisions of the Agency Agreement by reference to applicable law. Definitive Certificates issued with respect to the Unrestricted Certificates ("**Unrestricted Definitive Certificates**") will not bear the Rule 144A Legend.

*Upon issue, Certificates offered and sold outside the United States of America to non-US persons, within the meaning of, and in accordance with, Regulation S (the "**Unrestricted Certificates**") will be represented by beneficial interests in a Global Certificate (an "**Unrestricted Global Certificate**"), in fully registered form, without coupons attached, which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Certificates offered and sold within the United States of America to persons that are both QIBs and QPs (the "**Restricted Certificates**") will also be represented on issue by beneficial interests in one or more permanent Global Certificates (each a "**Restricted Global Certificate**"), in fully registered form, without coupons attached, which will be deposited with Deutsche Bank Trust Company Americas as custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee of, The Depository Trust Company ("**DTC**"). Ownership interests in the Unrestricted Global Certificate and the Restricted Global Certificates (together the "**Global Certificates**") will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear, Clearstream, Luxembourg and DTC (as applicable), and their respective direct or indirect participants.*

1.2 Title

The Issuer will cause the relevant Registrar to maintain the relevant Register in respect of the Certificates outside the United Kingdom and the Cayman Islands in accordance with the provisions of the Agency Agreement. Title to the Certificates passes only by transfer and registration in the relevant Register. The registered holder of any Certificate will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder of any Certificate. In these Conditions, "**Certificateholder**" and (in relation to a Certificate) "**holder**" have the definitions given thereto in the Declaration of Trust.

2. Transfers of Certificates and Issue of Certificates

2.1 Transfers

Subject to Conditions 2.4 (*Transfers after Transfer Record Date*) and 2.5 (*Regulations*), and to the limitations as to transfer set out in Condition 1.2 (*Title*) and the Agency Agreement, a Certificate may be transferred by depositing the relevant Certificate, with the form of transfer duly completed and signed, at the specified office of any of the Transfer Agents together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the individuals who have executed the forms of transfer. No transfer of a Certificate will be valid unless and until entered on the Register.

Transfers of interests in the Certificates represented by the Global Certificates will be effected in accordance with the rules of the relevant clearing system through which the interest is held.

2.2 Delivery of New Certificates

Each new Certificate to be issued upon transfer of Certificates will, within five business days of receipt by the relevant Transfer Agent of the duly completed form of transfer provided at the specified office of the Transfer Agent, be mailed by uninsured mail at the risk of the holder entitled to the Certificate to the address specified in the form of transfer.

Where some but not all of the face amount of the Certificates in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the face amount of the Certificates not so transferred will, within five business days of receipt by the relevant Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the face amount of the Certificates not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

Except in the limited circumstances described in the Global Certificates, owners of interests in the Certificates represented by the Global Certificates will not be entitled to receive physical delivery of definitive Certificates. Issues of definitive Certificates upon transfer of Certificates are subject to compliance by the transferor and transferee with the certification procedures in the Agency Agreement and, in the case of Restricted Certificates, compliance with the Rule 144A Legend.

For the purposes of this Condition, "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the relevant Registrar and the relevant Transfer Agent with whom a certificate is deposited in connection with a transfer is located.

2.3 Formalities Free of Charge

Registration of transfers of Certificates will be effected without charge by or on behalf of the Issuer or any Transfer Agent but upon payment (or the giving of such indemnity as the Issuer or any Transfer Agent may reasonably require) by the transferee in respect of any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

2.4 Transfers after Transfer Record Date

No Certificateholder may require the transfer of a Certificate to be registered during the period of seven days ending on (and including) any due date for payment of any Periodic Distribution Amount or the Dissolution Distribution Amount, as the case may be.

2.5 Regulations

All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfer of Certificates scheduled to the Agency Agreement. The regulations may be changed by the Issuer from time to time with the prior written approval of the Delegate and the Registrar, provided that such amendments are not materially prejudicial to Certificateholders. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests in writing a copy of the regulations.

3. Status and Limited Recourse

3.1 Status

The beneficial owners of the Trust Assets are the Certificateholders. Each Certificate evidences an undivided beneficial ownership interest in the Trust Assets and ranks *pari passu,* without any preference, with the other Certificates.

3.2 Limited Recourse

The Certificates do not represent an interest in any of the Issuer, Dar Al-Arkan, the Trustee, the Investment Manager, the Delegate, the Agents or any of their respective affiliates.

Notwithstanding anything to the contrary contained herein or in any Transaction Document, no payment of any amount whatsoever shall be made in respect of the Certificates by the Issuer, the Trustee, the Delegate or any of their respective directors, officers or agents except to the extent that funds are available therefor from the Trust Assets. The Trust Assets include all of the Issuer's rights, title, benefit and interest in, to and under the Guarantee, which when any amount is due and payable thereunder, constitutes a general unsecured obligation of Dar Al-Arkan in respect of which a claim may be made by the Issuer, the Trustee or the Delegate, and which ranks *pari passu* with any other unsecured obligations of Dar Al-Arkan. The Guarantee is granted in favour of the Issuer and the Delegate (and does not include any limited recourse provisions).

By subscribing for or acquiring the Certificates, the Certificateholders acknowledge that no recourse may be had for the payment of any amount owing in respect of the Certificates against the Investment Manager, Dar Al-Arkan, the Trustee, the Issuer, the Delegate or the Agents or any of their respective directors, officers or agents to the extent the Trust Assets have been exhausted following which all obligations of the Investment Manager, Dar Al-Arkan, the Trustee, the Issuer, the Delegate and the Agents or any of their respective agents shall be extinguished.

No recourse (whether by institution or enforcement of any legal proceeding or assessment or otherwise) in respect of any breach of any duty, obligation, covenant or agreement contained in these Conditions or any Transaction Document shall be had against any shareholder (other than, in the case of the Investment Manager, Dar Al-Arkan itself), member, officer, agent or director of the Issuer, the Trustee, the Delegate, the Investment Manager or Dar Al-Arkan, as the case may be, as such by virtue of any customary law, statute or otherwise. The obligations of the Issuer, the Trustee, the Delegate, the Investment Manager and Dar Al-Arkan under these Conditions or any Transaction Document are corporate or limited liability obligations of the Issuer, the Trustee, the Delegate, the Investment Manager and Dar Al-Arkan and no personal liability shall attach to or be incurred by the shareholders (other than as aforesaid), members, officers, agents or directors of the Issuer, the Trustee, the Delegate, the Investment Manager and Dar Al-Arkan as such save in the case of their wilful default, fraud or bad faith.

The net proceeds of the realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments and/or deliveries due in respect of the Certificates. If, following distribution of such proceeds, there remains a shortfall in payments and/or deliveries due under the Certificates, no Certificateholder will have any claim against the Investment Manager, Dar Al-Arkan, the Trustee, the Issuer, the Delegate, the Agents or any of their respective shareholders (other than as aforesaid), members, officers, directors or agents or any of their affiliates or recourse to any of their assets in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In addition, no Certificateholder will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Investment Manager or Dar Al-Arkan (to the extent that each fulfils all of its obligations under the relevant Transaction Documents to which it is a party), or any of the Trustee, the Issuer, the Delegate, the Agents and/or any of their affiliates as a consequence of such shortfall or otherwise.

4. Trust

4.1 Summary of the Trust

The Issuer in its capacity as Trustee will act as trustee for and on behalf of Certificateholders pursuant to the Declaration of Trust.

(a) *Sukuk Portfolio*: Pursuant to an investment management agreement dated the Closing Date (the "**Investment Management Agreement**") between the Issuer and Al-Arkan Sukuk Company as investment manager (the "**Investment Manager**"), the proceeds of the sale of the Certificates (the "**Sukuk Proceeds**") will be applied by the Issuer through the Investment Manager to invest in a single portfolio of investments comprising Ijara Agreements and Murabaha Agreements entered into between the Investment Manager and Restricted Subsidiaries of Dar Al-Arkan (together with any Sukuk Proceeds which have not been so invested, the "**Sukuk Portfolio**") in accordance with the Investment Plan (as defined below). The Ijara Agreements are to be entered into substantially on the terms set out in the Investment Management Agreement and must be effective within two Business Days after the Closing Date. Furthermore, the Murabaha Agreements are to be entered into on the terms substantially set out in the Investment Management Agreement and must be effective within 30 days after the Closing Date. The Investment Management Agreement provides that a minimum amount corresponding to 51 per cent. of the face amount of the Certificates outstanding must be invested in Ijara Agreements at all times, except: (i) during the above initial period necessary to enter into such Ijara Agreements; (ii) during the period necessary for replacement of any expired or terminated Ijara Agreements in accordance with the Underlying Value Conditions; or (iii) during the period necessary for replacement of an Ijara Agreement following the occurrence of a Total Loss in respect of the underlying Leased Assets in accordance with the terms of the relevant Service Agency Agreement.

The "**Investment Plan**" means the investment plan consisting of the following requirements for the Investment Manager: (i) to invest the Sukuk Proceeds into a portfolio of Sukuk Contracts which generates returns at least equal to the Periodic Distribution Amount for a period which is equal to or greater than the remaining duration of the Certificates which are outstanding at the time of the relevant investment; and (ii) to ensure satisfaction of the Underlying Value Conditions.

The Investment Management Agreement will commence on the Closing Date and will end on the later of: (i) the date falling two Business Days prior to the Maturity Date, any Dissolution Event Redemption Date or any Early Tax Redemption Date; and (ii) the date on which the Sukuk Portfolio Liquidation Proceeds are paid by the Investment Manager to the Principal Paying Agent on behalf of the Issuer in accordance with the Investment Management Agreement.

(b) *Profit Collections*: On the date falling two Business Days prior to each Periodic Distribution Date, the Investment Manager shall collect all sums due from the counterparties to the Ijara Agreements and Murabaha Agreements (the "**Profit Collections**") and pay such amounts to the

Principal Paying Agent on behalf of the Issuer by depositing the same in the Transaction Account. The Principal Paying Agent will in turn apply such amounts to pay the Periodic Distribution Amount to the Certificateholders on the relevant Periodic Distribution Date in accordance with the terms of the Agency Agreement.

To the extent that there is a shortfall between: (a) the Profit Collections deposited in the Transaction Account and available for distribution to the Certificateholders on any Periodic Distribution Date; and (b) the Periodic Distribution Amount scheduled for distribution on that date, and such shortfall arises from the negligence of or a failure by the Investment Manager to comply with its obligations under the Transaction Documents, including failure to satisfy the Underlying Value Conditions, but excluding any shortfall arising as a result of the fluctuation in value of the underlying real estate or commodities to which the Ijara Agreements and Murabaha Agreements, respectively, relate, Dar Al-Arkan, in its capacity as guarantor (the "**Guarantor**") shall make up that shortfall (the "**Distribution Shortfall Restoration Amount**") in accordance with the terms of a guarantee dated the Closing Date given by the Guarantor in favour of the Issuer, the Trustee and the Delegate (the "**Guarantee**"), pursuant to which the Guarantor will irrevocably undertake to pay the Distribution Shortfall Restoration Amount (if any) to the Principal Paying Agent on behalf of the Issuer for payment to the Certificateholders.

On the date falling two Business Days prior to the Maturity Date, any Dissolution Event Redemption Date or any Early Tax Redemption Date, as the case may be, the Investment Manager shall liquidate the Sukuk Portfolio in accordance with the Investment Management Agreement and pay the proceeds of such liquidation (the "**Sukuk Portfolio Liquidation Proceeds**") to the Principal Paying Agent by depositing the same in the Transaction Account. The Principal Paying Agent will in turn apply such amounts to pay the Dissolution Distribution Amount to the Certificateholders on the Maturity Date, Dissolution Event Redemption Date or Early Tax Redemption Date, as the case may be. To the extent that there is a shortfall between the Sukuk Portfolio Liquidation Proceeds deposited in the Transaction Account and the Dissolution Distribution Amount payable on the Maturity Date, Dissolution Event Redemption Date or Early Tax Redemption Date, as the case may be, subject to such shortfall resulting from the negligence of or a failure by the Investment Manager to comply with its obligations under the Transaction Documents, including failure to satisfy the Underlying Value Conditions, but excluding any shortfall arising as a result of the fluctuation in value of the underlying real estate or commodities to which the Ijara Agreements and Murabaha Agreements, respectively, relate, Dar Al-Arkan shall make up that shortfall (the "**Value Restoration Amount**") under the terms of the Guarantee by paying the Value Restoration Amount to the Principal Paying Agent on behalf of the Issuer for payment to the Certificateholders.

Certificateholders have the benefit of certain restrictive and financial covenants entered into by Dar Al-Arkan under the Guarantee. See "Summary of Principal Transaction Documents—The Guarantee".

(c) *Trust Assets*: Pursuant to the Declaration of Trust, the Issuer, in its capacity as Trustee, will declare that it will hold assets (the "**Trust Assets**") consisting of: (i) all of Dar Al-Arkan International Sukuk Company II's rights, title, interest and benefit in, to and under the Sukuk Portfolio; (ii) all of Dar Al-Arkan International Sukuk Company II's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents; (iii) all monies standing to the credit of the Transaction Account from time to time; and (iv) all proceeds of the foregoing, upon trust absolutely for the holders of the Certificates *pro rata* according to the outstanding face amount of Certificates held by each holder in accordance with the Declaration of Trust and these Conditions.

The Declaration of Trust, the Agency Agreement, the Costs Undertaking, the Certificates, the Guarantee, the Investment Management Agreement, the Sukuk Contracts and any other agreements and documents delivered or executed in connection therewith are collectively referred to as the "**Transaction Documents**".

4.2 Application of Proceeds from Trust Assets

Pursuant to the Declaration of Trust, the Trustee holds the Trust Assets for and on behalf of the Certificateholders. On each Periodic Distribution Date, the Maturity Date, a Dissolution Event

Redemption Date or an Early Tax Redemption Date, the Trustee shall apply the monies standing to the credit of the Transaction Account in the following order of priority:

(a) first, (to the extent not previously paid) to pay the Delegate an amount equal to any sum payable to it on account of its properly incurred fees, costs, charges and expenses and to pay or provide for the payment or satisfaction of any Liability incurred (or reasonably expected to be incurred) by the Delegate pursuant to the Declaration of Trust or in connection with any of the other Transaction Documents or these Conditions;

(b) second, (to the extent not previously paid) to pay, on a *pro rata* and *pari passu* basis, each Agent and the Trustee Administrator an amount equal to any sum payable to each of them on account of its properly incurred fees, costs, charges and expenses and to pay or provide for the payment or satisfaction of any Liability incurred (or reasonably expected to be incurred) by such Agents and/or the Trustee Administrator pursuant to the Agency Agreement and the Corporate Services Agreement, as the case may be;

(c) third, only if payment is due on a Periodic Distribution Date, to the Principal Paying Agent for application in or towards payment to the Certificateholders *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;

(d) fourth, in the case of the Maturity Date, a Dissolution Event Redemption Date or an Early Tax Redemption Date, to the Principal Paying Agent for application in or towards payment to the Certificateholders *pari passu* and rateably of the Dissolution Distribution Amount due on such date; and

(e) fifth, only if such payment is due on the Maturity Date, a Dissolution Event Redemption Date or an Early Tax Redemption Date, in payment of the surplus (if any) to the Investment Manager as an incentive fee payable under the Investment Management Agreement.

The Principal Paying Agent shall apply the monies so received towards the payments set forth above.

5. Periodic Distributions

A distribution amount, representing a defined share of the profit in respect of the Trust Assets derived from payments made to the Issuer (as Trustee) under the Investment Management Agreement, will accrue and be payable on the Certificates and be distributed by the Issuer (as Trustee) in accordance with these Conditions.

Subject to Condition 3.2 (*Limited Recourse*) and Condition 4.2 (*Application of Proceeds from Trust Assets*), the aggregate distribution payable in respect of the Certificates for any Periodic Distribution Period shall be the Periodic Distribution Amount and will be made by the Issuer in respect of the Certificates in arrear on each Periodic Distribution Date in accordance with Condition 7 (*Payments*).

The Periodic Distribution Amount payable on any Periodic Distribution Date shall be distributed to each Certificateholder *pro rata* (in an amount calculated by multiplying the Periodic Distribution Amount by a fraction of which the numerator is the face amount of the relevant Certificateholder's Certificates and the denominator is the Aggregate Face Amount on the relevant Periodic Distribution Date, and rounding the resultant figure to the nearest US$0.01, US$0.005 being rounded upwards). The distribution amount payable in respect of each US$1,000 in face amount of Certificates shall be US$53.75 on each Periodic Distribution Date.

If a distribution is required to be paid in respect of any Certificate on any other date, the amount of such distribution shall be calculated by the Calculation Agent by applying the Periodic Distribution Rate to the face amount of such Certificate, multiplying the product by the Day Count Fraction and rounding the resultant figure to the nearest US$0.01, US$0.005 being rounded upwards.

6. Dissolution of Trust

6.1 Scheduled Dissolution

Unless previously redeemed or purchased and cancelled in accordance with these Conditions, each Certificate will be redeemed in full by the Issuer on the Maturity Date at an amount equal to the Dissolution Distribution Amount as of such date. The Trust shall only be dissolved following payment in full of such Dissolution Distribution Amount.

6.2 Dissolution following a Dissolution Event

Following the occurrence of a Dissolution Event, the Certificates shall, subject to satisfaction of the conditions set out in Condition 10 (*Dissolution Events*), be redeemed in full by the Issuer on the relevant Dissolution Event Redemption Date at an amount equal to the Dissolution Distribution Amount as of such date. The Trust shall only be dissolved following such payment in full of the Dissolution Distribution Amount.

6.3 Dissolution following a Tax Event

(a) At any time the Issuer may, having given not less than 30 nor more than 60 days' notice to the Certificateholders (which notice shall be irrevocable) redeem all, and not some only, of the Certificates at the Dissolution Distribution Amount on the date specified by the Issuer for redemption in such notice (the "**Early Tax Redemption Date**") if a Tax Event occurs, where "**Tax Event**" means:

(i) the Issuer has or will become obliged to pay additional amounts pursuant Condition 8 (*Taxation*);

(ii) the Issuer has received notice from the Investment Manager that: (A) the Investment Manager has or will become required to withhold or deduct any taxes in respect of any payment by it or on its behalf under the Investment Management Agreement to or to the order of the Issuer; or (B) one or more Sukuk Contract Counterparties has or will become obliged to pay additional amounts pursuant to the relevant Sukuk Contract as a result of the relevant Sukuk Contract Counterparty having been required to withhold or deduct any taxes in respect of any payment by it or on its behalf under the relevant Sukuk Contract to or to the order of the Investment Manager; or

(iii) the Issuer has received notice from Dar Al-Arkan that it has or will become obliged to pay additional amounts to the Issuer pursuant to the Guarantee as a result of Dar Al-Arkan having been required to withhold or deduct any taxes in respect of any payment by it under the Guarantee to or to the order of the Issuer,

in each case (x) as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Closing Date, and (y) such obligation cannot be avoided by the Issuer, the Investment Manager, the relevant Sukuk Contract Counterparty or Dar Al-Arkan, as the case may be, taking reasonable measures available to it; and provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which, in the case of paragraph (a)(i) above, the Issuer would be obliged to pay such additional amounts were a payment in respect of the Certificates then due or, in the case of paragraph (a)(ii)(A) above, the Investment Manager would be obliged to pay such additional amounts were a payment in respect of the Investment Management Agreement then due, or, in the case of paragraph (a)(ii)(B) above, the relevant Sukuk Contract Counterparty would be obliged to pay such additional amounts were a payment in respect of the relevant Sukuk Contract then due, or, in the case of paragraph (a)(iii) above, Dar Al-Arkan would be obliged to pay such additional amounts were a payment in respect of the Guarantee then due, as the case may be.

(b) Prior to the publication of any notice of redemption pursuant to Condition 6.3(a), the Trustee shall deliver to the Delegate:

(i) (A) (in the case of (a)(i) above) a certificate signed by two duly authorised officers of the Issuer stating that the obligation referred to in (a)(i) has arisen;

(B) (in the case of (a)(ii)(A) above) a certificate signed by two duly authorised officers of the Investment Manager stating that the obligation referred to in (a)(ii)(A) has arisen; or

(C) (in the case of (a)(ii)(B) above) a certificate signed by two duly authorised officers of the relevant Sukuk Contract Counterparty stating that the obligation referred to in (a)(ii)(B) has arisen; or

(D) (in the case of (a)(iii) above) a certificate signed by two duly authorised officers of Dar Al-Arkan stating that the obligation referred to in (a)(iii) has arisen, and in each case stating that the obligation cannot be avoided by the Issuer, the Investment Manager, the relevant Sukuk Contract Counterparty or Dar Al-Arkan, as the case may be (having taken all reasonable measures available to it); and

(ii) an opinion of independent legal or tax advisers of recognised standing to the effect that the Issuer, the Investment Manager, the relevant Sukuk Contract Counterparty or Dar Al-Arkan, as the case may be, will become obliged to pay such additional amounts as a result of such change or amendment.

(c) The Delegate shall be entitled to accept (without further investigation) any such certificate and opinion delivered to it pursuant to paragraph (b) above as sufficient evidence thereof in which event it shall be conclusive and binding on the Certificateholders. For the avoidance of doubt, the Delegate shall have no liability to any person for accepting and acting on such certificate and/or opinion.

(d) The Trust will only be dissolved following the payment in full of the Dissolution Distribution Amount.

6.4 Purchase and Cancellation of Certificates

(a) Dar Al-Arkan and/or any subsidiary thereof may at any time purchase Certificates at any price in the open market or otherwise.

(b) Any Certificates purchased by Dar Al-Arkan and/or any subsidiary thereof may be surrendered to the Principal Paying Agent for cancellation. Nothwithstanding the foregoing, any Certificates purchased by Dar Al-Arkan and/or any subsidiary thereof pursuant to a Change of Control Offer or an Asset Disposal Offer (in each case as may be required to be made as provided in the Guarantee) shall be surrendered to the Principal Paying Agent for cancellation. Any Certificates surrendered for cancellation may not be held, reissued or resold by the Issuer.

Under the terms of the Guarantee, Dar Al-Arkan undertakes that:

(i) no later than 30 days following a Change of Control, Dar Al-Arkan shall make an offer to repurchase all Certificates then outstanding at a purchase price equal to 101 per cent. of their face amount, plus accrued and unpaid Periodic Distribution Amounts, if any, to the date of repurchase; and

(ii) if Dar Al-Arkan or any Restricted Subsidiary makes an Asset Disposition, in certain circumstances prescribed in the Guarantee, Dar Al-Arkan must use all or part of the proceeds of such Asset Disposition to make an offer to purchase Certificates at a purchase price equal to 100 per cent. of their face amount, plus accrued and unpaid Periodic Distribution Amounts, if any.

See "Summary of Principal Transaction Documents—The Guarantee".

(c) Should Dar Al-Arkan wish to cancel any Certificates purchased by it or by any of its subsidiaries (or is obliged to do so pursuant to the Guarantee), it shall deliver a Cancellation Notice to the Trustee under the terms of the Declaration of Trust, whereupon the Trustee (in its capacity as Issuer) shall, in accordance with the terms of the Investment Management Agreement, instruct the Investment Manager to liquidate a proportion of the Sukuk Portfolio proportionate to the number of Certificates to be cancelled (the "**Partial Liquidation**"). The proceeds of such Partial Liquidation shall not be applied by the Trustee in accordance with Condition 4.2 (*Application of Proceeds from Trust Assets*), but instead shall be paid to the account specified by Dar Al-Arkan in the Cancellation Notice.

6.5 No other Dissolution

The Trustee shall not be entitled to redeem the Certificates, and the Trustee shall not be entitled to dissolve the Trust, otherwise than as provided in this Condition 6 and Condition 10 (*Dissolution Events*).

6.6 Cancellations

All Certificates which are redeemed will forthwith be cancelled and accordingly may not be held, reissued or resold by the Issuer.

6.7 Effect of payment in full of Certificates

Upon payment in full of all amounts due in respect of a Certificate, such Certificate shall cease to represent an undivided beneficial ownership in the relevant Trust Assets and no further amounts shall be payable in respect thereof and the Issuer shall have no further obligations in respect thereof and upon payment in full of all amounts due in respect of all Certificates, the Trust shall be dissolved.

6.8 Compulsory Sale

If, at any time, the Issuer determines that any beneficial owner of Certificates, or any account for which such owner purchased Certificates, who is required to be a qualified institution buyer (a "**QIB**") within the meaning of Rule 144A ("**Rule 144A**") under the US Securities Act of 1933, as amended (the "**US Securities Act**") that is also a qualified purchaser (a "**QP**") within the meaning of Section 2(a)(51) of the US Investment Company Act of 1940, as amended, is not a QIB that is also a QP, the Issuer may: (i) require such beneficial owner to sell its interest in the Certificates to a person (A) who is a QIB that is also a QP, and who is otherwise qualified to purchase such Certificates in a transaction exempt from registration under the Securities Act; or (B) to a non-US person purchasing the Certificates in an offshore transaction pursuant to Regulation S under the US Securities Act; or (ii) require the beneficial owner to sell its interest in such Certificate to the Issuer or an affiliate of the Issuer or transfer its interest in such Certificates to a person designated by or acceptable to the Issuer at a price equal to the lesser of (x) the purchase price paid by the beneficial owner for such Certificates, (y) 100 per cent. of the face amount thereof, or (z) the fair market value thereof. The Issuer has the right to refuse to honour a transfer of interests in such Certificates to a person who is not both a QIB and a QP.

7. Payments

7.1 Payments in Respect of Certificates

Subject to Condition 7.2 (*Payments subject to applicable laws*), payment of any Periodic Distribution Amount or Dissolution Distribution Amount will be made on the relevant due date for payment by the Principal Paying Agent by wire transfer in same day funds to the Certificateholder shown on the Register at the close of business on the seventh day before the relevant Periodic Distribution Date. Such payment will be made to the registered account of each Certificateholder or by a US dollar cheque drawn on a bank that processes payments in US dollars and mailed to the registered address of the Certificateholder if it does not have a registered account.

For the purposes of this Condition 7, a Certificateholder's "registered account" means the US dollar account maintained by or on behalf of it with a bank that processes payments in US dollars, details of which appear on the Register at the close of business on the second Business Day before the due date for payment and a Certificateholder's "registered address" means its address appearing on the Register at that time.

7.2 Payments subject to applicable laws

Payments in respect of Certificates are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*).

7.3 Payment only on a Business Day

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day, for value the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed in each case by the Principal Paying Agent, on the date for payment or, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of a Paying Agent (if surrender is required under these Conditions).

Certificateholders will not be entitled to any additional Periodic Distribution Amount, Dissolution Distribution Amount or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the relevant Certificateholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition 7.3 arrives after the due date for payment.

7.4 Agents

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that it will ensure that it maintains a Principal Paying Agent, a Calculation Agent, a Registrar, a Transfer Agent and a Replacement Agent and shall maintain a Paying Agent (which may be the Principal Paying Agent) with a specified office in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council Meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any termination or appointment and of any changes in specified offices will be given to Certificateholders promptly by the Issuer in accordance with Condition 16 (*Notices*).

7.5 Calculation Agent

(a) *Appointment*: The Issuer shall procure that so long as any of the Certificates remains outstanding there shall at all times be a Calculation Agent to undertake all necessary calculations and/or determinations and/or obtain such quotations required pursuant to the Conditions and the Transaction Documents for the purposes of calculating the relevant amounts due to be paid on the Certificates provided that the Issuer may terminate the appointment of such Calculation Agent in accordance with the provisions of the Agency Agreement. Unless otherwise specified, all such calculations shall be undertaken in respect of each US$1,000 in face amount of Certificates. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Calculation Agent or failing duly to determine the amount due to be paid or delivered on any Periodic Distribution Date or Maturity Date, Dissolution Event Redemption Date or Early Tax Redemption Date, the Issuer shall appoint the London office of another major bank engaged in the London interbank market to act in its place. If the Issuer shall fail, within a reasonable time, to appoint any such replacement, the Delegate shall be entitled (but not obliged) and at the expense of the Issuer to make such appointment. The Calculation Agent may not resign its duties or be removed without a successor having been appointed.

(b) *Determinations binding*: Any determination or calculation or quotation given, expressed, made or obtained by the Calculation Agent shall (in the absence of manifest error) be final and binding on the Issuer, the Trustee, the Delegate, Dar Al-Arkan, the Certificateholders and the other Agents. The Calculation Agent may consult on any legal or other matter with any legal or other professional adviser selected by it and it shall not be liable in respect of anything done or omitted to be done relating to that matter in good faith in accordance with that adviser's opinion.

7.6 No Late Payments

If the Issuer fails to pay any Periodic Distribution Amount or Dissolution Distribution Amount (in whole or in part) on the relevant Periodic Distribution Date or the Maturity Date, the Dissolution Event Redemption Date or Early Tax Redemption Date, as the case may be, for any reason, the Issuer will not be required to pay, and Certificateholders shall not be entitled to receive, any additional amounts in respect of the period during which such Periodic Distribution Amount or Dissolution Distribution Amount remains unpaid (in whole or in part).

Pursuant to the Guarantee, if Dar Al-Arkan fails to make payment of any sum due to the Issuer under the Guarantee on the due date for payment (the "**Outstanding Sum**"), Dar Al-Arkan has undertaken to pay a late payment amount to the Issuer in respect of the period from, and including, the due date for settlement to, but excluding, the date of full settlement of the Outstanding Sum, calculated on a daily basis, as the product of: (a) 1 per cent. per annum; and (b) the Outstanding Sum, calculated on the basis of a 360 day year of 12 months of 30 days each. The Issuer has agreed that any such late payment amounts received from Dar Al-Arkan will be given to charity and will not be paid to the Certificateholders.

8. Taxation

All payments in respect of the Certificates shall be made in full without withholding or deduction for, or on account of, any present or future taxes, levies, duties, fees, assessments or other charges of whatever nature, imposed or levied by or on behalf of a Relevant Jurisdiction (the "**Taxes**"), unless the withholding or deduction of such Taxes is required by law. In such event, the Issuer shall be required to pay additional amounts so that the full amount which otherwise would have been due and payable under the Certificates (if no such withholding or deduction had been made or required to be made) is received by the Certificateholders, except that no such additional amounts shall be payable by the Issuer in relation to any payment in respect of any Certificate:

(a) presented for payment (where presentation is required) by or on behalf of a Certificateholder or beneficial owner who is liable for such Taxes in respect of such Certificate by reason of having some connection with any Relevant Jurisdiction other than the mere holding of such Certificate; or

(b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(c) presented for payment (where presentation is required) by or on behalf of a Certificateholder who would have been able to avoid such withholding or deduction by presenting the relevant Certificate to another Paying Agent in a Member State of the European Union; or

(d) to or on behalf of a Certificateholder or beneficial owner who is eligible for a reduction or exemption from such withholding taxes by complying with any certification, identification or other reporting requirements whether imposed by statute, treaty, regulation or administrative practice concerning nationality, residence or connection with the Relevant Jurisdiction if such compliance is required as a precondition to relief or exemption from such withholding taxes and if, after having been requested to make such certification or identification or comply with such reporting requirements, such Certificateholder or beneficial owner fails to do so; or

(e) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined in Condition 19 (*Definitions and Interpretation*)) except to the extent that the Certificateholder or beneficial owner thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such 30-day period assuming, whether or not such is in fact the case, that day to have been a Business Day.

The obligation to pay such additional amounts shall not apply to: (i) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge; or (ii) any tax, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments on the Certificates.

The Ijara Agreements and Murabaha Agreements to be entered into pursuant to the Investment Management Agreement each provide that payments thereunder by the Sukuk Contract Counterparties shall be made without withholding or deduction for, or on account of, any present or future taxes, unless the withholding or deduction of the taxes is required by the laws of the Kingdom of Saudi Arabia and, in such case, provide for the payment by the Sukuk Contract Counterparties of additional amounts so that the full amount which would otherwise have been due and payable is paid to the Investment Manager. The Investment Management Agreement also provides that payments to be made thereunder by the Investment Manager to the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, unless the withholding or deduction of the taxes is required by the laws of the Kingdom of Saudi Arabia and, in such case, provides for the payment by the Investment Manager of additional amounts so that the full amount which would otherwise have been due and payable is paid into the Transaction Account two Business Days prior to each Periodic Distribution Date, the Maturity Date, any Dissolution Event Redemption Date or Early Tax Redemption Date, as the case may be.

Further, in accordance with the Guarantee, Dar Al-Arkan undertakes to pay any Distribution Shortfall Restoration Amount or Value Restoration Amount, as the case may be, to the Issuer without any deduction or withholding for or on account of any present or future tax, or other charge or withholding of a similar nature, unless required by the laws of the Kingdom of Saudi Arabia and, in such case, undertakes to pay additional amounts so that the full amount which would otherwise have been due and payable is received by the Issuer. In addition, Dar Al-Arkan has undertaken in the Guarantee to pay to the Issuer such additional amounts as may be payable by the Issuer pursuant to this Condition 8 (*Taxation*).

9. Prescription

Claims in respect of amounts due in respect of the Certificates will become prescribed unless made within periods of 10 years (in the case of any Dissolution Distribution Amount) and five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect of the Certificates.

10. Dissolution Events

10.1 Dissolution Events

Upon the occurrence of any of the following events (the "**Dissolution Events**"):

(a) *Non-Payment*: default is made in the payment of the Dissolution Distribution Amount on the date fixed for payment thereof or default is made for more than five (5) Business Days in the payment of any Periodic Distribution Amount on the due date for payment thereof; or

(b) *Breach of Other Obligations*: the Issuer does not perform or comply with any one or more of its other obligations in the Certificates or the Transaction Documents to which it is party which default is incapable of remedy or, if in the opinion of the Delegate capable of remedy, is not in the opinion of the Delegate remedied within 30 days after notice of such default shall have been given to the Issuer; or

(c) *Enforcement Proceedings*: distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer and is not discharged or stayed within 90 days; or

(d) *Security Enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person); or

(e) *Insolvency*: the Issuer is (or is or could be deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or (in the opinion of the Delegate) a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer; or

(f) *Winding-up*: an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, or the Issuer shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders; or

(g) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (a) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Certificates and the Transaction Documents to which it is party; (b) to ensure that those obligations are legally binding and enforceable; and (c) to make the Certificates and the Transaction Documents to which it is party admissible in evidence in the courts of the Cayman Islands is not taken, fulfilled or done; or

(h) *Illegality*: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Certificates or the Transaction Documents to which it is party; or

(i) *Dar Al-Arkan Event*: a Dar Al-Arkan Event (as defined below) occurs; or

(j) *Analogous Events*: any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs, the Delegate shall, if so requested by a Certificateholders' Direction and subject to it being indemnified and/or secured and/or prefunded to its satisfaction, give notice to the Trustee that the Certificates are to be redeemed and the Trust is to be dissolved (a "**Dissolution Request**"). Immediately following receipt of the Dissolution Request, the Trustee (in its capacity as Issuer) shall exercise its rights under the Investment Management Agreement and (if required) the Guarantee and use the Sukuk Portfolio Liquidation Proceeds and (if applicable) sums received under the Guarantee to redeem the Certificates at the Dissolution Distribution Amount on the date specified in the Dissolution Request (the "**Dissolution Event Redemption Date**"). The Trust shall be dissolved on the day after the last outstanding Certificate has been redeemed in full.

For the purpose of Condition 10.1(a) above, all amounts payable in respect of the Certificates shall be considered due and payable notwithstanding that the Issuer has at the relevant time insufficient funds to pay such amounts.

10.2 Dar Al-Arkan Events

For the purposes of this Condition, a "**Dar Al-Arkan Event**" means:

(a) *Non-Payment of the Guarantee*: the Guarantor fails to pay any Distribution Shortfall Restoration Amount under the Guarantee when due and payable and such default continues for a period of five (5) Business Days; or

(b) *Breach of Merger and Consolidation covenant:* the failure by the Guarantor to comply with its obligations under Paragraph 2.10 (*Merger and Consolidation*) of Schedule 2 of the Guarantee; or

(c) *Breach of other covenants*: the failure by the Guarantor to comply for thirty (30) days with any of its obligations in Clause 5 (*Change of Control*) of the Guarantee (other than a failure to purchase Certificates) or under Paragraph 2 of Schedule 2 of the Guarantee (other than as specified in (b) above);

(d) *Breach of other obligations*: the Guarantor or any Restricted Subsidiary defaults in the performance of any other undertaking or agreement under or pursuant to the Certificates or the Transaction Documents or defaults in the observance of any of its other obligations under or in respect of the Certificates or the Transaction Documents (other than a default specified in (a), (b) or (c) above) which breach or default is incapable of remedy or, if in the opinion of the Delegate capable of remedy, is not in the opinion of the Delegate remedied within sixty (60) days after notice of such breach or default addressed to the Guarantor by the Trustee (or the Delegate acting on behalf of the Trustee) has been delivered to the Guarantor, provided that for the purpose of this paragraph (d) no breach of the Underlying Value Conditions shall be deemed to have occurred as long as no events and circumstances described in paragraph (a) have occurred; or

(e) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment of an amount in excess of SAR100 million (or its equivalent in any other currency or currencies), whether individually or in aggregate is rendered against the Guarantor, the Investment Manager or any other Subsidiary and continue(s) unsatisfied and unstayed for a period of thirty (30) days after the date(s) thereof or, if later, the date therein specified for payment; or

(f) *Cross default*: if any of the following events occur: (i) any Indebtedness of the Guarantor or any Subsidiary is not paid when due nor within any originally applicable grace period; (ii) any Indebtedness of the Guarantor or any Subsidiary is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described); (iii) any commitment for any Indebtedness of the Guarantor or any Subsidiary is cancelled or suspended by a creditor of the Guarantor or any Subsidiary, as a result of an event of default (however described); or (iv) any holder of an Existing Sukuk Certificate becomes entitled to declare such Existing Sukuk Certificate due and payable prior to its specified maturity as a result of an event of default (however described), provided in each case that no Dar Al-Arkan Event will occur under this paragraph if the aggregate amount of Indebtedness or commitment for Indebtedness or Existing Sukuk Certificate is less than SAR100 million (or equivalent in any other currency or currencies); or

(g) *Insolvency*: (i) the Guarantor or the Investment Manager or any other Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary becomes insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator is appointed over the whole or at least 25 per cent. of the undertaking, assets and revenues of the Guarantor or the Investment Manager or any other Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary (or application for any such appointment is made) and such appointment is not discharged within thirty (30) days; (iii) the Guarantor or the Investment Manager or any other Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (including any arrangement under the Settlement to Avoid Bankruptcy Law) or declares a moratorium in respect of any of its Indebtedness given by it; or (iv) the Guarantor or the Investment Manager or any other Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary ceases or threatens to cease to carry on all or at least 25 per cent. of its business (otherwise than for the purposes of, or pursuant to, an amalgamation, reorganisation or restructuring whilst solvent approved by an Extraordinary Resolution); or

(h) *Winding up*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Guarantor or the Investment Manager or any other Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary (otherwise than for the purposes of, or pursuant to, an amalgamation, reorganisation or restructuring whilst solvent approved by an Extraordinary Resolution); or

(i) *Analogous event*: any event occurs under the laws, regulations or rules of the Kingdom of Saudi Arabia which has an analogous effect to any of the events referred to in paragraphs (g) or (h) above; or

(j) *Unlawfulness*: at any time it is or becomes unlawful for the Guarantor or the Investment Manager or any other Restricted Subsidiary to perform any or all of its obligations under or in respect of the Transaction Documents to which they are a party (if any) or for any other party to any Transaction Document to perform any or all of its obligations under that document; or

(k) *Repudiation*: the Guarantor or the Investment Manager or any other Restricted Subsidiary repudiates or challenges the legal, valid, binding and enforceable nature of any or any part of a Transaction Document to which they are a party (if any) or does or causes to be done any act or thing evidencing an intention to repudiate or challenge the legal, valid, binding and enforceable nature of any Transaction Document to which it is party; or

(l) *Failure to invest*: the Investment Manager fails to invest the proceeds of the sale of the Certificates in Ijara Agreements within two (2) Business Days and Murabaha Agreements within thirty (30) days after the date of the Investment Management Agreement; or

(m) *Enforcement proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Guarantor, the Investment Manager or any other Restricted Subsidiary which, if adversely determined, has or could have a Material Adverse Effect, and is not discharged or stayed within 90 days; or

(n) *Security enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Guarantor or the Investment Manager or any other Restricted Subsidiary is enforced (including the taking of possession or the appointment of a receiver, administrative receiver, administrator manager or other similar person) which has or could have a Material Adverse Effect; or

(o) *Government intervention*: the government of any country or any governmental agency takes any step with a view to the seizure, expropriation, nationalisation or acquisition (whether compulsory or otherwise, in whole or in part) of the Guarantor, the Investment Manager or any other Restricted Subsidiary or any of their material assets.

Capitalised terms used in this Condition 10.2 shall have the meanings given to them in the Guarantee. *See* "*Summary of Principal Transaction Documents—The Guarantee*".

11. Covenants

The Issuer (acting in its capacity as Issuer and Trustee, as the case may be) has covenanted in the Declaration of Trust that, among other things, for so long as any Certificate is outstanding, it shall not (without the prior written consent of the Delegate):

(a) incur any indebtedness in respect of borrowed money or any other financing whatsoever, or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) other than those in issue as at the Closing Date or as permitted pursuant to any Transaction Document;

(b) secure any of its present or future indebtedness for borrowed money or any other financing by any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law and other than under or pursuant to any Transaction Document);

(c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its title to any of the Trust Assets or any interest therein except pursuant to any Transaction Document and in accordance with the principles of Shari'ah;

(d) use the proceeds of the issue of the Certificates for any purpose other than as provided for under the Transaction Documents;

(e) subject to Condition 14 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*), amend or agree to any amendment of any of the Transaction Documents to which it is a party or to its constitutional documents;

(f) act as trustee in respect of any trust other than the Trust, or in respect of any parties other than the Certificateholders and/or act as agent for any trust arrangement (other than the Trust);

(g) have any subsidiaries or employees;

(h) redeem any of its shares or pay any dividend or make any other distribution to its shareholders;

(i) put to its directors or shareholders any resolution for or appoint any liquidator for its winding up or any resolution for the commencement of any other bankruptcy or insolvency proceedings with respect to it; or

(j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is party and any subscription agreement connected to the issue of the Certificates (or as expressly permitted or requested thereunder) or engage in any business or activity other than:

    (i) as provided for or permitted in the Transaction Documents;

    (ii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and

    (iii) such other matters which are incidental thereto.

12. Enforcement and Exercise of Rights

12.1 Actions by Delegate

Subject to Condition 3.2 (*Limited Recourse*) and Condition 12.2 (*Trustee and Delegate not bound to act*), upon the occurrence of a Dissolution Event, to the extent that the amounts payable in respect of the Certificates have not been paid in full, the Delegate shall if so directed by a Certificateholder's Direction (acting for the benefit of the Certificateholders) take one or more of the following steps (subject to its being indemnified and/or secured and/or prefunded to its satisfaction):

(a) enforce the provisions of the Guarantee against Dar Al-Arkan; and/or

(b) take such other steps as the Delegate may consider necessary to recover amounts due and/or deliverable to the Certificateholders.

12.2 Trustee and Delegate not bound to act

Subject to Condition 12.3 (*Certificateholders not entitled to proceed directly*), neither the Trustee nor the Delegate shall be bound to take any action in relation to the Trust Assets or any Dissolution Event or to take any action or any other steps under these Conditions or any Transaction Document unless:

(a) the Delegate and/or the Trustee, as the case may be, is satisfied that it will be indemnified and/or secured and/or prefunded against all Liabilities which may be incurred in connection with such action or step and may demand prior to taking any such action that there be paid to it in advance such sums as it reasonably considers (without prejudice to any further demand) shall be sufficient so to indemnify it; and

(b) in the case of the Delegate only, directed or requested to do so by a Certificateholders' Direction.

12.3 Certificateholders not entitled to proceed directly

No Certificateholder shall be entitled to proceed directly against, or to provide instructions to the Trustee to pursue any claim against, the Issuer, the Trustee, the Investment Manager and/or Dar Al-Arkan arising under the Trust Assets or the Certificates or to enforce the performance of any provisions of any of the Transaction Documents or for any other reason unless: (A) (i) the Delegate has resigned its appointment in accordance with the terms of the Declaration of Trust and no successor or replacement has been appointed in its place (in accordance with the terms of the Declaration of Trust); or (ii) the Delegate having become bound so to proceed, fails to do so within a reasonable period of becoming so bound and such failure is continuing; and (B) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against the Issuer, the Trustee, the Investment Manager or Dar Al-Arkan or to provide instructions to the Trustee to do so, as the case may be) holds at least 25 per cent. of the aggregate face amount of the Certificates then outstanding. Under no circumstances shall the Trustee, the Delegate or any Certificateholders have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the terms of the Transaction Documents or under these Conditions and the sole right of the Trustee, the Delegate and the Certificateholders against the Issuer, the Investment Manager and/or Dar Al-Arkan shall be to enforce their respective obligations under the Transaction Documents to which they are party.

12.4 Satisfaction of obligations of Trustee and Delegate

Conditions 12.1 (*Actions by Delegate*), 12.2 (*Trustee and Delegate not bound to act*) and 12.3 (*Certificateholders not entitled to proceed directly*) are subject to this Condition 12.4 (*Satisfaction of obligations of Trustee and Delegate*). After enforcing and/or realising the Trust Assets, (i) the net proceeds of the Trust Assets shall be distributed in accordance with Condition 4.2 (*Application of Proceeds from Trust Assets*), and the obligations of the Issuer, Dar Al-Arkan, the Investment Manager, the Agents, the Delegate and/or the Trustee in respect of the Certificates shall be satisfied, (ii) no Certificateholder may take any steps against Dar Al-Arkan, the Investment Manager, the Agents, the Delegate, the Issuer and/or the Trustee and/or any of their respective shareholders, members, officers, directors or agents to recover any sums in respect of the Certificates and (iii) the right to receive any such sums unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of Dar Al-Arkan or the Investment Manager (to the extent that each fulfils all of its obligations under the relevant Transaction Documents to which it is a party) or the Agents, the Delegate, the Issuer and/or the Trustee, nor shall any of them have any claim in respect of the trust assets of any other trust established by the Trustee.

13. Replacement of Certificates

Should any Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified offices of the Replacement Agents upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Trustee and the Registrar may reasonably require. Mutilated or defaced Certificates must be surrendered or an indemnity given before replacements will be issued.

14. Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination

14.1 Meetings of Certificateholders

The Delegate and/or the Issuer may convene meetings of Certificateholders at any time, and shall be obliged to do so upon a requisition in writing of Certificateholders holding not less than one tenth of the aggregate face amount of the Certificates for the time being outstanding (provided that in the case of the Delegate or the Issuer, as the case may be, shall have been indemnified and/or secured and/or prefunded to its satisfaction) to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of these Conditions or the provisions of the Declaration of Trust or any other Transaction Documents. The quorum at any meeting shall be two or more Certificateholders, proxies or representatives holding or representing not less than the Relevant Fraction of the aggregate face amount of the outstanding Certificates. To be passed, an Extraordinary Resolution requires a majority in favour consisting of not less than three quarters of the persons voting on a show of hands or, if a poll is duly demanded, a majority of not less than three quarters of the votes cast on such poll. An Extraordinary Resolution duly passed at any meeting of Certificateholders will be binding on all holders of the Certificates, whether or not they are present at the meeting and whether or not voting.

The Declaration of Trust provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate face amount of the Certificates outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders.

14.2 Modification and Waiver

The Delegate may, for and on behalf of the Certificateholders, agree, without the consent or sanction of the Certificateholders, to any modification (other than in the case of a Reserved Matter) of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Declaration of Trust or of any other Transaction Documents, or determine, without any such consent as aforesaid, that any Dissolution Event or Potential Dissolution Event shall not be treated as such, which in any such case is not, in the opinion of the Delegate, materially prejudicial to the interests of Certificateholders or may agree, without any such consent as aforesaid, to any modification which, in the opinion of the Delegate, is of a formal, minor or technical nature or made to correct a manifest error.

14.3 Entitlement of Delegate

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Delegate shall have regard to the general interests of Certificateholders as a class but shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders or groups of Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof or taxing jurisdiction and neither the Trustee nor the Delegate shall be entitled to require, nor shall any Certificateholder be entitled to claim, from the Trustee, the Delegate or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders.

14.4 Determinations etc. binding

Any modification, waiver, authorisation or determination shall be binding on Certificateholders and shall be notified by the Issuer (unless the Delegate otherwise agrees) to Certificateholders as soon as practicable thereafter in accordance with Condition 16 (*Notices*).

15. Indemnification and Liability of the Trustee and the Delegate

15.1 Scope of Delegation

The Trustee will in the Declaration of Trust irrevocably and unconditionally appoint the Delegate to be its attorney and in its name, on its behalf and as its acts and deed to execute and perfect all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), trusts, authorities and discretions vested in the Trustee by the Declaration of Trust and the Transaction Documents (to the extent applicable) (including but not limited to the authority to request a Certificateholders' Direction and the power to make any determinations to be made under these presents) that the Delegate may consider to be necessary or desirable in order to exercise all of the rights of the Trustee under the Guarantee and the other Transaction Documents (provided that no obligations, duties or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of this delegation) and make such distributions from the Trust Assets as the Trustee is bound to make in accordance with these presents (together the "**Delegation**" of the "**relevant powers**") provided that in no circumstances will such Delegation result in the Delegate holding on trust the Trust Assets and provided further that such Delegation and the relevant powers shall not include any duty, power, trust, authority or discretion to dissolve the trusts constituted by the Declaration of Trust following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Delegation made in the previous sentence shall, in respect of Clauses 11.4 and 13 of the Declaration of Trust and Conditions 4.2 (*Application of Proceeds from Trust Assets*), 10 (*Dissolution Events*), 12 (*Enforcement and Exercise of Rights*), 14 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*) and 15 (*Indemnification and Liability of the Trustee and the Delegate*) only (and the provisions of the Declaration of Trust which relate thereto), become effective from the date of the Declaration of Trust and, in all other cases, shall become effective immediately upon the occurrence of a Dissolution Event or a Potential Dissolution Event. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of its relevant powers.

15.2 Indemnification of Trustee and Delegate

The Declaration of Trust contains provisions for the indemnification of the Trustee (and/or its directors, officers and controlling persons) and the Delegate (and its directors, officers, employees, agents, delegates and controlling persons), in each case in certain circumstances, and for relief from responsibility, including provisions relieving each of them from taking action (in particular, in connection with the exercise of any of their respective rights in respect of the Trust Assets) unless indemnified and/or secured and/or prefunded to their satisfaction. Prior to taking any such action, the Delegate and the Trustee may require that there be paid to it in advance such sums as it considers (without prejudice to any further demand) shall be sufficient to indemnify it.

The Delegate shall not in any circumstances take any action unless directed to do so in accordance with Condition 12 (*Enforcement and Exercise of Rights*), and then only if the Delegate shall have been indemnified and/or secured and/or prefunded to its satisfaction.

15.3 Delegate's rights

The Declaration of Trust also contains provisions pursuant to which no director or officer of the Delegate or of any holding, affiliated or associated company of the Delegate shall be precluded from underwriting the Certificates with or without a commission or other remuneration, or from purchasing or otherwise acquiring, holding, dealing in or disposing of any securities whatsoever or from being interested in any contract or transaction or from accepting and holding the office of trustee or administrator for the holders of any other securities, and in any case neither the Delegate nor any director or officer of the Delegate shall be liable to the Certificateholders for any profit made by it or him thereby or in connection therewith.

15.4 No liability to Certificateholders for payments

Each of the Delegate and the Trustee (solely in its capacity as such) makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of Dar Al-Arkan or the Issuer under any Transaction Document to which it is a party and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any payment which should have been made by either of Dar Al-Arkan or the Issuer, as the case may be, but is not so made, and shall not in any circumstances have any liability arising from the Trust Assets other than as expressly provided in these Conditions or the Declaration of Trust.

15.5 No liability in respect of Trust Assets

The Delegate and the Trustee shall not be liable in respect of any loss or theft of the Trust Assets or any cash or for failure in any obligation to insure the Trust Assets or any cash or for any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depositary or clearing system or are registered in the name of the Trustee or its nominee.

15.6 Delegate and Trustee not required to incur any Liability

Nothing contained in any Transaction Document, the Certificates or these Conditions shall require the Delegate or the Trustee to expend or risk its own funds or otherwise incur any Liability in the performance of any of its duties or in the exercise of any of its rights, powers, authorities or discretions if it considers that the repayment of such funds or adequate indemnity against, or security for, such risk or Liability is not assured to it.

15.7 Reliance on Certificates and Reports

The Delegate may rely on any certificate or report of the auditors of the Issuer, Dar Al-Arkan or any other person called for by or provided to the Delegate (whether or not addressed to the Delegate) in accordance with or for the purposes of the Declaration of Trust or the other Transaction Documents as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Delegate in connection therewith contains a monetary or other limit on the liability of the auditors of the Issuer, Dar Al-Arkan or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate or report may be limited by an engagement or similar letter or by the terms of the certificate or report itself and the Delegate shall not be bound in any such case to call for further evidence or be responsible for any Liability or inconvenience that may be occasioned by its failure to do so.

15.8 No impact on Trustee's role as sole trustee

The appointment of a delegate by the Trustee pursuant to the Declaration of Trust is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

16. Notices

All notices to the Certificateholders will be valid if mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by air mail at their respective addresses in the Register. Any notice shall be deemed to have been given on the second day after being so mailed.

In addition, the Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) by which the Certificates have then been admitted to listing, trading and/or quotation.

17. Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. Governing Law and Submission to Jurisdiction

18.1 Governing Law

The Declaration of Trust, the Agency Agreement, the Costs Undertaking, the Guarantee and the Certificates, and any non-contractual obligations arising out of or in connection with any of them, are governed by, and will be construed in accordance with, English law. The Investment Management Agreement and the Sukuk Contracts are governed by, and will be construed in accordance with, the laws of the Kingdom of Saudi Arabia.

18.2 Arbitration

The Delegate, the Trustee and Dar Al-Arkan have in the Declaration of Trust agreed that any dispute arising out of or in connection with the Declaration of Trust (including a dispute regarding the existence, validity or termination of the Declaration of Trust or a dispute relating to any non-contractual obligations arising out of the Declaration of Trust) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration (the "**LCIA**") (the "**Rules**"), which Rules are incorporated by reference into this Condition 18.2. The place of arbitration shall be London, England and the language of the arbitration shall be English. The number of arbitrators shall be three.

18.3 Jurisdiction

Notwithstanding the agreement that any Dispute will be settled by arbitration as set out in Condition 18.2 (*Arbitration*) above, the Trustee, the Delegate and Dar Al-Arkan have agreed in the Declaration of Trust that, in the event that the Delegate issues a notice to the Trustee or Dar Al-Arkan that a Dispute be heard in a court of law, the courts of England shall have exclusive jurisdiction to settle any

Dispute which may arise out of or in connection with the Declaration of Trust. Notwithstanding the foregoing, under the Declaration of Trust, the Delegate may take proceedings relating to a Dispute (the "**Proceedings**") in any other courts, in any jurisdiction in which the Issuer or Dar Al-Arkan engage in any material business activity or in which any of their material assets are located or in which Proceedings are brought against the Delegate by a third party, and, to the extent allowed by law, the Delegate may take concurrent Proceedings in any number of jurisdictions.

18.4 Process Agent

Each of the Issuer and Dar Al-Arkan has in the Declaration of Trust irrevocably and unconditionally appointed an agent to receive, for it and on its behalf, service of process in England in respect of any Proceedings in England.

19. Definitions and Interpretation

19.1 Definitions

In these Conditions:

"**Agents**" means any of the Principal Paying Agent, the Paying Agents, the Registrars, the Replacement Agents, the Calculation Agent or the Transfer Agents appointed by the Issuer pursuant to the Agency Agreement.

"**Aggregate Face Amount**" means, at any time, the aggregate face amount of the outstanding Certificates which, for the avoidance of doubt, shall be US$450,000,000 on the Closing Date.

"**Asset Disposition Offer**" has the meaning given to it in the Guarantee.

"**Business Day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and New York City.

"**Calculation Agent**" means Deutsche Bank AG, London Branch.

"**Cancellation Notice**" means a cancellation notice in substantially the form of Schedule 4 (*Form of Cancellation Notice*) to the Declaration of Trust.

"**Certificateholders' Direction**" means an effective direction by the Certificateholders to the Delegate or the Trustee (as applicable) in the form of either:

(a) an Extraordinary Resolution of Certificateholders; or

(b) for the purposes of a Certificateholders' Direction to be given to dissolve the Trust pursuant to Condition 10.1 (*Dissolution Events*) or Clause 6.3 of the Declaration of Trust or in respect of any enforcement action to be taken by the Delegate, including without limitation, any action to be taken pursuant to Clause 6.3 or Clause 9 of the Declaration of Trust and Condition 12 (*Enforcement and Exercise of Rights*), a written direction by Certificateholders holding at least 25 per cent. in aggregate face amount of the Certificates then outstanding,

in each case, such direction only to be effective if the Delegate and/or the Trustee (as the case may be) shall be indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may render itself liable or which it may incur, in either case in relation to such direction.

"**Change of Control Offer**" has the meaning given to it in the Guarantee.

"**Corporate Services Agreement**" means the corporate services agreement dated the Closing Date and entered into by the Issuer and the Trustee Administrator.

"**Costs Undertaking**" means the costs undertaking executed by Dar Al-Arkan on the Closing Date.

"**Dar Al-Arkan**" means Dar Al-Arkan Real Estate Development Company.

"**Day Count Fraction**" means, in relation to a Periodic Distribution Period or any other period in respect of which a payment is due to be made, the number of days (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) from and including the first day of that period to but excluding the last day of that period, divided by 360.

"**Dissolution Distribution Amount**" means an amount equal to the Aggregate Face Amount plus any accrued and unpaid Periodic Distribution Amounts.

"**Dissolution Event**" means any of the events specified as such in Condition 10 (*Dissolution Events*).

"**Dissolution Event Redemption Date**" has the meaning given to it in Condition 10 (*Dissolution Events*).

"**Distribution Shortfall Restoration Amount**" has the meaning given to it in Condition 4.1 (*Summary of the Trust*).

"**Early Tax Redemption Date**" has the meaning given to it in Condition 6.3 (*Dissolution following a Tax Event*).

"**Extraordinary Resolution**" means a resolution passed at a meeting of Certificateholders duly convened and held in accordance with the provisions of Schedule 3 of the Declaration of Trust.

"**Guarantee**" has the meaning given to it in Condition 4.1 (*Summary of the Trust*).

"**Ijara Agreements**" means the Ijara agreements to be entered into between the Investment Manager and Restricted Subsidiaries substantially in the form of Part A of Schedule 1 of the Investment Management Agreement, together with the related Sale and Purchase Agreements, Purchase Undertakings and Service Agency Agreements.

"**Investment Management Agreement**" has the meaning given to it in Condition 4.1 (*Summary of the Trust*).

"**Investment Manager**" has the meaning given to it in Condition 4.1 (*Summary of the Trust*).

"**Investment Plan**" has the meaning given to it in Condition 4.1 (*Summary of the Trust*).

"**Leased Assets**" has the meaning given to it in the relevant Ijara Agreement.

"**Liability**" means any loss, damage, cost, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever (including, without limitation, in respect of taxes, duties, levies, imposts and other charges) and including any value added tax or other tax charged or chargeable in respect thereof and properly incurred legal fees and expenses on a full indemnity basis.

"**Maturity Date**" means 18 February 2015.

"**Murabaha Agreements**" means the murabaha agreements to be entered into between the Investment Manager, Restricted Subsidiaries and Unicorn Capital Saudi Arabia substantially in the form of Part E of Schedule 1 of the Investment Management Agreement.

"**Partial Liquidation**" has the meaning given to it in Condition 6.4(c).

"**Periodic Distribution Amount**" means, an amount in US dollars equal to the product of (a) the Periodic Distribution Rate, (b) the face amount of the Certificates, and (c) the Day Count Fraction.

"**Periodic Distribution Date**" means 18 February and 18 August in each year, commencing on 18 August 2010 up to and including the Maturity Date.

"**Periodic Distribution Period**" means the period from and including the Closing Date to but excluding the first Periodic Distribution Date, and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date.

"**Periodic Distribution Rate**" means 10.75 per cent. per annum.

"**person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company or government or agency, or political subdivision thereof, or other entity.

"**Potential Dissolution Event**" means any event which, with the giving of notice, lapse of time or fulfilment of any other applicable condition (or any combination of any of the foregoing) could constitute a Dissolution Event.

"**Purchase Undertakings**" means the purchase undertakings to be entered into by Restricted Subsidiaries as lessee pursuant to each Ijara Agreement in favour of the Investment Manager substantially in the form of Part C of Schedule 1 of the Investment Management Agreement.

"**Profit Collections**" has the meaning given to it in Condition 4.1 (*Summary of the Trust*).

"**Relevant Date**" means, in respect of any payment in relation to a Certificate, the later of (a) the date on which the payment first becomes due, and (b) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, the date on which (the full amount having been so received) notice to that effect has been given to the Certificateholders by the Issuer in accordance with Condition 16 (*Notices*).

"**Relevant Fraction**" means: (i) for all business other than voting on an Extraordinary Resolution, one tenth, provided, however, that, in the case of a meeting which has resumed after adjournment for lack of a quorum, it means the fraction of the aggregate face amount of the outstanding Certificates represented or held by the Certificateholders, proxies or representatives actually present at the Meeting; (ii) for voting on any Extraordinary Resolution (the purpose of which is not voting on a Reserved Matter) more than half, provided, however, that, in the case of a meeting which has resumed after adjournment for lack of a quorum, it means one quarter; and (iii) for voting on any Extraordinary Resolution (the purpose of which is voting on a Reserved Matter), three quarters, provided, however, that, in the case of a meeting which has resumed after adjournment for lack of a quorum, it means one quarter.

"**Relevant Jurisdiction**" means the Kingdom of Saudi Arabia (in the case of any payment by Dar Al-Arkan, the Investment Manager or any Sukuk Contract Counterparty) and the Cayman Islands (in the case of any payment by the Issuer) or, in any such case, any political subdivision or any authority thereof or therein having power to tax.

"**Reserved Matter**" means any proposal:

(a) to change any date fixed for payment of a Periodic Distribution Amount or Dissolution Distribution Amount in respect of the Certificates, to reduce or cancel the Periodic Distribution Amount or Dissolution Distribution Amount payable on any date in respect of the Certificates or, except where such alteration is in the opinion of the Delegate bound to result in an increase in the amount of such payment, to alter the method of calculating the amount of any payment in respect of the Certificates on redemption or maturity;

(b) to effect the exchange, redemption, conversion or substitution of the Certificates for, or exchange the Certificates into shares, certificates or other securities of the Issuer or any other person or body corporate formed or to be formed (other than as permitted under the Conditions);

(c) to change the currency in which amounts due in respect of the Certificates are payable;

(d) to change the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution;

(e) to permit early repayment of the Certificates other than as permitted in the Conditions;

(f) to change the pari passu ranking provisions of Condition 4.2 (*Application of Proceeds from Trust Assets*);

(g) to amend any of the Issuer's covenants in the Declaration of Trust, Dar Al-Arkan's obligations under the Guarantee, the Investment Manager's obligations under the Investment Management Agreement or any of their respective obligations to make a payment under any Transaction Document to which it is a party;

(h) to change the definition of "outstanding" or modify the provisions contained in the Declaration of Trust, the Conditions or the Global Certificates concerning the quorum required at any meeting of the Certificateholders or the majority required to pass an Extraordinary Resolution;

(i) to change the governing law of the Declaration of Trust, the Conditions and the Global Certificate, the arbitral forum and/or courts of jurisdiction to which the Issuer or Dar Al-Arkan has submitted in the Declaration of Trust, the Conditions and the Global Certificates, or the Issuer's and Dar Al-Arkan's obligation in the Declaration of Trust, the Conditions and the Global Certificate to appoint and maintain an agent for service of process; or

(j) to amend this definition of Reserved Matter.

"**Restricted Subsidiaries**" has the meaning given to it in the Guarantee.

"**Sale and Purchase Agreements**" means the sale and purchase agreements to be entered into between the Investment Manager and Restricted Subsidiaries in connection with any Ijara Agreement substantially in the form of Part B of Schedule 1 of the Investment Management Agreement.

"**Service Agency Agreements**" means the service agency agreements to be entered into between the Investment Manager and Restricted Subsidiaries in connection with any Ijara Agreement substantially in the form of Part D of Schedule 1 of the Investment Management Agreement.

"**Sukuk Contract Counterparties**" mean the counterparties to the Sukuk Contracts (other than the Investment Manager).

"**Sukuk Contracts**" means the Ijara Agreements (and related Sale and Purchase Agreements, Purchase Undertakings and Service Agency Agreements) and the Murabaha Agreements entered into between the Investment Manager and Restricted Subsidiaries from time to time.

"**Sukuk Portfolio**" has the meaning given to it in Condition 4.1 (*Summary of the Trust*).

"**Sukuk Portfolio Liquidation Proceeds**" has the meaning given to it in Condition 4.1 (*Summary of the Trust*).

"**Sukuk Proceeds**" has the meaning given to it in Condition 4.1 (*Summary of the Trust*).

"**Tax Event**" has the meaning given to it in Condition 6.3 (*Dissolution following a Tax Event*).

"**Taxes**" shall have the meaning given to it in Condition 8 (*Taxation*).

"**Total Loss**" has the meaning given to it in the relevant Ijara Agreement.

"**Transaction Account**" means the account of the Issuer maintained for the deposit of payments to the Issuer for the benefit of the Certificateholders under the Transaction Documents and to be operated by the Principal Paying Agent.

"**Transaction Documents**" has the meaning given to it in Condition 4.1 (*Summary of the Trust*).

"**Trust**" means the Dar Al-Arkan International Sukuk Company II trust as established pursuant to the Declaration of Trust.

"**Trust Assets**" has the meaning given to it in Condition 4.1 (*Summary of the Trust*).

"**Trustee Administrator**" means Maples Finance Limited, a licensed trust company in the Cayman Islands who will provide, amongst other things, corporate administrative services and director services for and on behalf of the Issuer and Trustee pursuant to the Corporate Services Agreement.

"**Underlying Value Conditions**" means the following conditions to be met by the Investment Manager:

(a) proper application of the Sukuk Proceeds in appropriate revenue-generating Sukuk Contracts in accordance with the Investment Management Agreement;

(b) proper monitoring and timely enforcement of the performance of each counterparty under such Sukuk Contracts;

(c) ensuring that each such Sukuk Contract remains in full force and effect whilst any Certificates remain outstanding, unless it expires or is terminated in accordance with its terms, and to the extent that a Sukuk Contract expires or is terminated prior to the Maturity Date and a Dissolution Event Redemption Date or an Early Tax Redemption Date, as the case may be, has not occurred, ensuring that such Sukuk Contract is replaced by one or more such contracts of equal or greater aggregate value, in the case of expiry or termination of an Ijara Agreement, within two Business Days of such expiry or termination of the relevant Ijara Agreement and, in the case of expiry or termination of an Murabaha Agreement, within 30 days of such expiry or termination of the relevant Murabaha Agreement, save where any Certificates have been purchased by Dar Al-Arkan and/or any subsidiary thereof and are proposed to be cancelled pursuant to Condition 6.4 (*Purchase and Cancellation of Certificates*), in which case such Sukuk Contract must be replaced only if and to the extent required to ensure compliance with the terms of the Investment Plan; and

(d) not waiving or forgiving the obligation of any counterparty under any Sukuk Contract and not entering into any arrangement to dispose at a discount of any rights under any such Sukuk Contract.

"**Value Restoration Amount**" has the meaning given to it in Condition 4.1 (*Summary of the Trust*).

SUMMARY OF PROVISIONS RELATING TO THE CERTIFICATES WHILE IN GLOBAL FORM

Form of the Certificates

The Certificates sold outside the United States of America to non-US persons, within the meaning of, and in accordance with, Regulation S will be represented on issue by a Global Certificate in fully registered form without coupons attached (the "**Unrestricted Global Certificate**"), which will be deposited with, and registered in the name of a nominee for the common depositary for Euroclear and Clearstream, Luxembourg. Beneficial interests in the Unrestricted Global Certificate may be held only through Euroclear or Clearstream, Luxembourg or their participants at any time. See "*Book-Entry Clearing Systems—Book-Entry Ownership*". By acquisition of a beneficial interest in the Unrestricted Global Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a non-US person within the meaning of Regulation S that it acquired such beneficial interest in accordance with Regulation S, and that it will offer, sell, pledge or otherwise transfer such beneficial interest only (i) to a non-US person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (ii) in accordance with Rule 144A to a person that it reasonably believes to be a QIB that is also a QP. See "*Subscription and Sale and Transfer and Selling Restrictions*".

The Certificates sold in the United States of America in transactions exempt from or not subject to the registration requirements of the US Securities Act will be represented on issue by one or more Global Certificates, in fully registered form without coupons attached (each a "**Restricted Global Certificate**"), which will be deposited with a custodian for, and registered in the name of, Cede & Co. as nominee of, DTC. Beneficial interests in a Restricted Global Certificate may only be held through DTC or their participants at any time. See "*Book-Entry Clearing Systems—Book-Entry Ownership*". Beneficial interests in a Restricted Global Certificate may only be held by persons who are both QIBs and QPs. By acquisition of a beneficial interest in a Restricted Global Certificate, the purchaser thereof will be deemed to represent, among other things, that it is both a QIB and a QP and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Restricted Global Certificate. See "*Subscription and Sale and Transfer and Selling Restrictions*"

The Unrestricted Global Certificate and the Restricted Global Certificates are referred to herein as "**Global Certificates**". Beneficial interests in Global Certificates will be subject to certain restrictions on transfer set out therein and in the Agency Agreement, and such Global Certificates will bear the applicable legends regarding the restrictions set out under "*Subscription and Sale and Transfer and Selling Restrictions*". The Unrestricted Global Certificate may be transferred only to another common depositary for Euroclear and Clearstream, Luxembourg and the Restricted Global Certificates may be transferred only to another custodian for DTC or DTC's nominee.

No beneficial interest in an Unrestricted Global Certificate may be transferred to a person who takes delivery in the form of a beneficial interest in a Restricted Global Certificate unless (i) the transfer is to a person that is both a QIB and a QP, (ii) such transfer is made in reliance on Rule 144A, and (iii) such transaction is in accordance with any applicable securities laws of any State of the United States or any other jurisdiction and the transferor provides the relevant Registrar with a written certification substantially in the form set out in the Agency Agreement to that effect. No beneficial interest in the Restricted Global Certificates may be transferred to a person who takes delivery in the form of a beneficial interest in an Unrestricted Global Certificate unless the transfer is made in an offshore transaction to a non-US person, within the meaning of, and in accordance with, Regulation S and the transferor provides the relevant Registrar with a written certification substantially in the form set out in the Agency Agreement to that effect.

Any beneficial interest in an Unrestricted Global Certificate that is transferred to a person who takes delivery in the form of an interest in a Restricted Global Certificate will, upon transfer, cease to be an interest in such Unrestricted Global Certificate and become an interest in the Restricted Global Certificate, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in a Restricted Global Certificate for as long as it remains such an interest. Any beneficial interest in a Restricted Global Certificate that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Certificate will, upon transfer, cease to be an interest in a Restricted Global Certificate and become an interest in the Unrestricted Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in an Unrestricted Global Certificate for so long as it remains such an interest.

Except in the limited circumstances described below, owners of beneficial interests in Global Certificates will not be entitled to receive physical delivery of certificated Certificates.

Certificateholders

For so long as all of the Certificates are represented by the Global Certificates and the Global Certificates are held on behalf of a clearing system, each person (other than another clearing system) who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg or DTC (as the case may be) as the holder of a particular aggregate principal amount of such Certificates (each, a "**Certificateholder**") (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or DTC (as the case may be) as to the aggregate principal amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such aggregate face amount of such Certificates (and the expression "**Certificateholders**" and references to "**holding of Certificates**" and to "**holders of Certificates**" shall be construed accordingly) for all purposes other than with respect to payments on such Certificates, the right to which shall be vested, as against the Issuer and the Trustee solely in the Common Depositary for the relevant clearing system (the "**Common Depositary**") in accordance with and subject to the terms of the Global Certificates. Each Certificateholder must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for its share of each payment made to the Common Depositary.

Cancellation

Cancellation of any Certificate following its redemption by the Issuer will be effected by reduction in the aggregate face amount of the Certificates in the register of Certificateholders.

Payments

Payment of any Dissolution Distribution Amount and Periodic Distribution Amount in respect of Certificates represented by the Global Certificates will be made upon presentation or, if no further payment falls to be made in respect of the Certificates, against presentation and surrender of the relevant Global Certificate at the specified office of the Principal Paying Agent or to the order of the relevant Registrar as shall have been notified to the registered holder of the relevant Global Certificate for such purpose. Each payment shall be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive, except December 25 and January 1.

Notices

So long as any Certificate is represented by a Global Certificate and such Global Certificate is held on behalf of the relevant clearing system, notices to Certificateholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for notification as required by the Conditions or by delivery of the relevant notice to the Certificateholder except that, so long as the Certificates are listed on any listing authority, stock exchange and/or quotation system (if any), notices shall also be published in accordance with the rules and regulations of such listing authority, stock exchange and/or quotation system. Any such notice shall be deemed to have been given to the Certificateholders on the day after the day on which such notice is delivered to the relevant clearing system.

Meetings

The holder of a Global Certificate shall (unless such Global Certificate represents only one Certificate) be treated as being two persons for the purpose of forming a quorum at a meeting of Certificateholders.

Registration of Title

Registration of title to Certificates in a name other than that of the Common Depositary, DTC or Cede & Co. or their respective nominees (as applicable) will not be permitted unless Euroclear, Clearstream, Luxembourg or DTC, as appropriate, notifies the Issuer that it is unwilling or unable to continue as a clearing system in connection with the Global Certificates, and a successor clearing system approved by the Delegate is not appointed by the Issuer within 90 days after receiving such notice from

Euroclear, Clearstream, Luxembourg or DTC. In these circumstances, title to a Certificate may be transferred into the names of holders notified by the Common Depositary or DTC, as applicable, in accordance with the Conditions, except that Definitive Certificates in respect of Certificates so transferred may not be available until 21 days after the request for transfer is duly made.

The relevant Registrar will not register title to the Global Certificates in a name other than that of the Common Depositary, Cede & Co. or their respective nominee for a period of seven calendar days preceding the due date for any payment of any amount in respect of the Certificates.

Exchange for Definitive Certificates

Exchange

Each Restricted Global Certificate will be exchangeable, free of charge, in whole but not in part, for certificates in definitive form (the "**Restricted Definitive Certificates**") and each Unrestricted Global Certificate will be exchangeable, free of charge to the holder, in whole but not in part, for certificates in definitive form (the "**Unrestricted Definitive Certificates**" and, together with the Restricted Definitive Certificates, the "**Definitive Certificates**"):

(a) in the case of the Unrestricted Global Certificate only, if the Issuer has been notified that Euroclear and/or Clearstream, Luxembourg or its successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or Euroclear and/or Clearstream, Luxembourg or its successor clearing system announces an intention permanently to cease business or does in fact do so and no successor clearing system is available; or

(b) in the case of the Restricted Global Certificate only, if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the relevant Global Certificate or DTC ceases to be a "clearing agency" registered under the US Exchange Act or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or

(c) with the Issuer's consent,

provided that, in the case of any transfer pursuant to (a) or (b) above, the holder has given the relevant Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange.

In exchange for the relevant Global Certificate, as provided in the Agency Agreement, the relevant Registrar will deliver or procure the delivery of an equal aggregate face amount of duly executed and authenticated Definitive Certificates in or substantially in the form set out in the Declaration of Trust.

Delivery

In such circumstances, the relevant Global Certificate shall be exchanged in full for Definitive Certificates and the Issuer will cause sufficient Definitive Certificates to be executed and delivered to the relevant Registrar for completion, authentication and dispatch to the relevant Certificateholders. A person having an interest in a Global Certificate must provide the relevant Registrar with (a) a written order containing instructions and such other information as the Issuer and the relevant Registrar may require to complete, execute and deliver such Definitive Certificates and (b) in the case of the Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a purchaser that the transferor reasonably believes to be a QIB and that is also a QP. Definitive Certificates issued in exchange for a beneficial interest in a Restricted Global Certificate shall bear the legends applicable to transfers pursuant to Rule 144A, as set out under "*Subscription and Sale and Transfer and Selling Restrictions*".

Legends and transfers

The holder of a Definitive Certificate may transfer the Certificates represented thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the relevant Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Definitive Certificate bearing the legend referred to under "*Subscription and Sale and Transfer and Selling Restrictions*", or upon specific request for removal of the legend on a

Definitive Certificate, the Issuer will deliver only Definitive Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the relevant Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set out therein are required to ensure compliance with the provisions of the US Securities Act. Definitive Certificates for the Restricted Certificates will bear the same legend as the legend for the Restricted Global Certificates set out under "*Subscription and Sale and Transfer and Selling Restrictions*". The Restricted Definitive Certificates may not at any time be held by or on behalf of US persons that are not both QIBs and QPs. Before any Unrestricted Definitive Certificate may be offered, resold, pledged or otherwise transferred to a person who takes delivery in the form of a Restricted Definitive Certificate, the transferor and/or transferee, as applicable, will be required to provide the relevant Registrar with a written certification substantially in the form set out in the Agency Agreement to the effect that the transfer is: (i) to a person the transferor reasonably believes to be a QIB and that is also a QP; and (ii) such transfer is made in reliance on Rule 144A. Before any Restricted Definitive Certificate may be offered, resold, pledged or otherwise transferred to a person who takes delivery in the form of a Unrestricted Definitive Certificate, the transferor and/or transferee, as applicable, will be required to provide the relevant Registrar with a written certification substantially in the form set out in the Agency Agreement to the effect that the transfer is being made in accordance with Regulation S.

SUMMARY OF PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the Transaction Documents and is qualified in its entirety by reference to the detailed provisions of those Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of Dar Al-Arkan. Defined terms used in the following summary that are not otherwise defined in this summary have the meanings given to them in "Terms and Conditions of the Certificates."

The Investment Management Agreement

Pursuant to an investment management agreement to be entered into on the Closing Date and governed by Saudi law (the "**Investment Management Agreement**") between the Issuer and Al-Arkan Sukuk Company (a wholly-owned subsidiary of Dar Al-Arkan) as investment manager (the "**Investment Manager**"), the proceeds of the sale of the Certificates (the "**Sukuk Proceeds**") will be applied by the Issuer through the Investment Manager to invest in a single portfolio of investments comprising Ijara Agreements and Murabaha Agreements entered into between the Investment Manager and Restricted Subsidiaries of Dar Al-Arkan (each as defined in the Conditions) (together with any Sukuk Proceeds which have not been so invested, the "**Sukuk Portfolio**") in accordance with the Investment Plan (as defined below). The Investment Management Agreement provides that a minimum amount corresponding to 51 per cent. of the face amount of the Certificates outstanding must be invested in Ijara Agreements at all times, except: (i) during the above initial period necessary for entering into the Ijara Agreements; (ii) during the period necessary for replacement of any expired or terminated Ijara Agreements in accordance with the Underlying Value Conditions; or (iii) during the period necessary for replacement of Ijara Agreements following the occurrence of a total loss in respect of the underlying Leased Assets in accordance with the terms of the relevant Service Agency Agreement.

The "**Investment Plan**" means the investment plan consisting of the following requirements for the Investment Manager: (i) to invest the Sukuk Proceeds into a portfolio of Sukuk Contracts which generates returns at least equal to the Periodic Distribution Amount for a period which is equal to or greater than the remaining duration of the Certificates which are outstanding at the time of the relevant investment; and (ii) to ensure satisfaction of the Underlying Value Conditions. The Investment Manager is not entitled to commingle its own assets with the Sukuk Portfolio. The Investment Manager has undertaken to the Issuer that so long as any Certificates remain outstanding, it shall not conduct any business or enter into any transactions other than those expressly permitted under, or contemplated by Investment Management Agreement and the related Sukuk Contracts.

The "**Underlying Value Conditions**" are the following conditions which are to be met by the Investment Manager in accordance with the terms of the Investment Management Agreement:

(a) proper application of the Sukuk Proceeds in appropriate revenue-generating Sukuk Contracts in accordance with the Investment Management Agreement;

(b) proper monitoring and timely enforcement of the performance of each counterparty under such Sukuk Contracts;

(c) ensuring that each such Sukuk Contract remains in full force and effect whilst any Certificates remain outstanding, unless it expires or is terminated in accordance with its terms and to the extent that a Sukuk Contract expires or is terminated prior to the Maturity Date and a Dissolution Event Redemption Date or an Early Tax Redemption Date, as the case may be, has not occurred, ensuring that such Sukuk Contract is replaced by one or more such contracts of equal or greater aggregate value, in the case of expiry or termination of an Ijara Agreement, within two Business Days of such expiry or termination of the relevant Ijara Agreement and, in the case of expiry or termination of an Murabaha Agreement, within 30 days of such expiry or termination of the relevant Murabaha Agreement, save where any Certificates have been purchased by Dar Al-Arkan and are proposed to be cancelled pursuant to Condition 6.4 (*Purchase and Cancellation of Certificates*), in which case such Sukuk Contract must be replaced only if and to the extent required to ensure compliance with the terms of the Investment Plan; and

(d) not waiving or forgiving the obligation of any counterparty under any such contract and not entering into any arrangement to dispose at a discount of any rights under any such Sukuk Contract.

The Ijara Agreements must be entered into substantially on the terms set out in the Investment Management Agreement and must be effective within two Business Days after the Closing Date. Pursuant to each Ijara Agreement, land and/or other real estate assets (the "**Leased Assets**") are leased by the Investment Manager, acting as lessor (the "**Lessor**") to the Ijara counterparty (who the Investment Manager has agreed must be a Restricted Subsidiary of Dar Al-Arkan) acting as lessee (the "**Lessee**") for payments of rental and other amounts to be made by the Lessee in respect of the Leased Assets on regular lease payment dates corresponding to the Periodic Distribution Dates. The Investment Manager must also enter into the following contracts in connection with each Ijara Agreement, each substantially in the form of those set in the Investment Management Agreement:

- **Sale and Purchase Agreement:** the contract pursuant to which the Leased Assets are purchased by the Lessor from the Lessee prior to entering into the Ijara Agreement without however any transfer of legal title to the Leased Assets from the Lessee to the Lessor;
- **Service Agency Agreement:** the contract pursuant to which the Lessor appoints the Lessee as service agent in respect of the Leased Assets. The Lessee is responsible for, amongst other things, obtaining and maintaining Takaful insurance and certain maintenance and repair obligations in respect of the Leased Assets; and
- **Purchase Undertaking:** an undertaking pursuant to which the Lessee undertakes to repurchase the Leased Assets from the Lessor if the Ijara Agreement is terminated in accordance with its terms prior to the Maturity Date of the Certificates.

The Murabaha Agreements must be entered into substantially on the terms set out in the Investment Management Agreement and must be effective within 30 days after the Closing Date. Pursuant to each Murabaha Agreement, the Investment Manager agrees to buy commodities from a commodities agent, and then sells the commodities on to a Murabaha counterparty (who the Investment Manager has agreed must be a Restricted Subsidiary of Dar Al-Arkan) in consideration for payment of a deferred purchase price.

Under the terms of the Investment Management Agreement, the Ijara Agreements must be effective within two Business Days of the Closing Date, and the Murabaha Agreements must be effective within 30 days after the Closing Date.

The Investment Management Agreement will commence on the Closing Date and will end on the later of the date falling two Business Days prior to the Maturity Date, any Dissolution Event Redemption Date or an Early Tax Redemption Date, and the date on which the Sukuk Portfolio Liquidation Proceeds are paid by the Investment Manager to the Principal Paying Agent on behalf of the Issuer in accordance with the Investment Management Agreement.

On the date falling two Business Days prior to each Periodic Distribution Date, the Investment Manager will collect the all sums due from the counterparties to the Ijara Agreements and Murabaha Agreements (the "**Profit Collections**") and on the same date pay such Profit Collections to the Principal Paying Agent on behalf of the Issuer by depositing the same in the Transaction Account. The Principal Paying Agent will in turn apply such amounts to pay the Periodic Distribution Amount to the Certificateholders on the relevant Periodic Distribution Date.

On the date falling two Business Days prior to the Maturity Date, a Dissolution Event Redemption Date or an Early Tax Redemption Date, as the case may be, the Investment Manager will liquidate the Sukuk Portfolio in accordance with the Investment Management Agreement and pay the proceeds of such liquidation (the "**Sukuk Portfolio Liquidation Proceeds**") to the Principal Paying Agent (on behalf of the Issuer) by depositing the same in the Transaction Account who will in turn apply such amounts to pay the Dissolution Distribution Amount to the Certificateholders on the Maturity Date, Dissolution Event Redemption Date or Early Tax Redemption Date, as the case may be.

Following any purchase of Certificates by or on behalf of Dar Al-Arkan or any of its subsidiaries, in accordance with the Conditions, Dar Al-Arkan may or (if required to do so pursuant to the Guarantee) shall, deliver a Cancellation Notice to the Issuer under the Declaration of Trust. Upon receipt of any such Cancellation Notice from Dar Al-Arkan, pursuant to the Investment Management Agreement, the Issuer will instruct the Investment Manager to, and the Investment Manager has undertaken that it will, liquidate a proportion of the Sukuk Portfolio equal to the proportionate number of Certificates to be cancelled (a "**Partial Liquidation**"). The proceeds of such Partial Liquidation will not be applied in accordance with Condition 4.2 (*Application of Proceeds from the Trust Assets*) but instead will be paid by the Investment Manager to, or to the order of, Dar Al-Arkan as specified in the Cancellation Notice.

The Investment Management Agreement is governed by the laws of the Kingdom of Saudi Arabia.

The Guarantee

Nature of the Guarantee

Pursuant to the guarantee (the "**Guarantee**") to be granted by Dar Al-Arkan (in its capacity as guarantor, the "**Guarantor**") on the Closing Date and governed by English law, the Guarantor irrevocably and unconditionally, in each case in favour of the Issuer, the Trustee and the Delegate: (a) guarantees for the purpose of paragraph (b) and (c) below (without double-counting), and only to the extent that a Distribution Shortfall Restoration Amount or a Value Restoration Amount (as the case may be) is due and payable, the prompt performance by each Sukuk Contract Counterparty of its obligations under those Sukuk Contract(s); (b) undertakes to pay to the Principal Paying Agent (on behalf of the Issuer), immediately on receipt of a Payment Notice, the Distribution Shortfall Restoration Amount (if any) specified in that Payment Notice by depositing the same in the Transaction Account; (c) undertakes to pay to the Principal Paying Agent (on behalf of the Issuer), immediately upon receipt of a Payment Notice, the Value Restoration Amount (if any) referred to in that Payment Notice by depositing the same in the Transaction Account; and (d) agrees with the Issuer that to the extent any amount claimed under (a) to (c) above is not recoverable from the Guarantor on the basis of a guarantee then the Guarantor will be liable (but without double counting) as a principal debtor and primary obligor to indemnify the Issuer in respect of any loss (i) incurred as a result of any Sukuk Contract Counterparty failing to pay any amount expressed to be due and payable by it under a Sukuk Contract when it should have been paid; (ii) incurred by the Issuer and payable by the Investment Manager in the circumstances set out in the Investment Management Agreement; and (iii) incurred as a result of the Investment Manager failing to pay any additional amounts expressed to be due and payable under certain provisions of the Investment Management Agreement.

The Guarantee will constitute a general unsecured obligation of the Guarantor, granted in favour of the Issuer, the Trustee and the Delegate. The Guarantee will not contain any provisions limiting the recourse of the Issuer, the Trustee or the Delegate to the Guarantor for any due but unpaid Distribution Shortfall Restoration Amounts or Value Restoration Amounts.

Dar Al-Arkan Events

The Guarantor will agree under the Guarantee that certain events or circumstances shall constitute a Dar Al-Arkan Event, the occurrence of which, together with certain other events, shall constitute a Dissolution Event under the Certificates. For a full list of Dar Al-Arkan Events and a description of the consequences of a Dissolution Event, see Condition 10 (*Dissolution Events*) under "*Terms and Conditions of the Certificates*".

Repurchase of Certificates following a Change of Control

The Guarantor will agree that within 30 days following a Change of Control, the Guarantor will make an offer to Certificateholders to repurchase all outstanding Certificates at a purchase price equal to 101 per cent. of the face amount thereof on the date of purchase, plus all accrued and unpaid Periodic Distribution Amounts, if any, to the date of purchase (subject to the right of Certificateholders of record on the relevant record date to receive a Periodic Distribution Amount on the relevant Periodic Date).

A "**Change of Control**" will occur if:

(a) any "**person**" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50 per cent. of the total voting power of the Voting Stock of the Guarantor; provided, however, that the Permitted Holders do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors (for the purposes of this clause (a), such other person shall be deemed to beneficially own any Voting Stock of a specified person held by a parent entity, if such other person is the beneficial owner (as defined in this clause (a)), directly or indirectly, of more than 50 per cent. of the voting power of the Voting Stock of such parent entity and the Permitted Holders do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the board of directors of such parent entity);

(b) individuals who on the Issue Date constituted the Board of Directors (together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Guarantor was approved by a vote of a majority of the directors of the Guarantor then still in office who were either directors on the Issue Date or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office;

(c) the adoption of a plan relating to the liquidation or dissolution of the Guarantor; or

(d) the merger or consolidation of the Guarantor with or into another Person or the merger of another Person with or into the Guarantor, or the sale of all or substantially all the assets of the Guarantor (determined on a consolidated basis) to another Person other than (i) a transaction in which the survivor or transferee is a Person that is controlled by Permitted Holders or (ii) a transaction following which (A) in the case of a merger or consolidation transaction, holders of securities that represented 100 per cent. of the Voting Stock of the Guarantor immediately prior to such transaction (or other securities into which such securities are converted as part of such merger or consolidation transaction) own directly or indirectly at least a majority of the voting power of the Voting Stock of the surviving Person in such merger or consolidation transaction immediately after such transaction and in substantially the same proportion as before the transaction and (B) in the case of a sale of assets transaction, each transferee becomes an obligor in respect of the Certificates and a Subsidiary of the transferor of such assets.

Covenants

The Certificateholders will also have the benefit of certain restrictive and financial covenants given by Dar Al-Arkan in the Guarantee. In particular, the Guarantor will undertake that:

1. *General Undertakings*

1.1 *Financial Undertakings*

For so long as any Existing Sukuk Certificate is outstanding, the Guarantor will undertake to the Issuer, the Trustee and the Delegate that at all times whilst any of the Certificates are outstanding:

(a) the Shareholders' Equity shall not be less than US$2,300,000,000;

(b) its ratio of Total Liabilities to Total Assets shall not exceed 0.65:1.0; and

(c) its Current Ratio shall not be less than 1.1:1.0.

1.2 *Notification of default*

The Guarantor shall notify the Issuer, the Trustee and the Delegate of any Dar Al-Arkan Event (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.

1.3 *Pari passu ranking*

The Guarantor shall ensure that all payments by and obligations of the Guarantor and the Investment Manager under any Transaction Document to which it is a party rank:

(a) in priority to any distributions (by way of profits, dividends or otherwise) by the Guarantor to its shareholders or by the Investment Manager to the Guarantor, as the case may be; and

(b) at least *pari passu* with the claims of all the unsecured and unsubordinated creditors of the Guarantor or the Investment Manager (as the case may be).

1.4 *Insurance*

The Guarantor shall take out and maintain or cause to be taken out and maintained Islamic Takaful insurance in respect of its assets and activities in such amounts, covering such risks, and on such terms as are customary in the Kingdom of Saudi Arabia by a prudent person engaged in business of the same or a similar nature to the Guarantor.

1.5 ***Compliance with laws***

The Guarantor shall comply, and shall procure compliance by the Investment Manager, with all laws to which the Guarantor or the Investment Manager (as the case may be) may be subject, save to the extent that any failure to so comply would not prevent the performance in full by the Guarantor or the Investment Manager (as the case may be) of its obligations under the Transaction Documents to which it is a party.

1.6 ***Tax Affairs (Guarantor)***

The Guarantor shall, to the extent applicable:

(a) promptly file all tax returns required to be filed by it in any jurisdictions; and

(b) promptly pay all Taxes or, if any Tax is being contested in good faith and by appropriate means, maintain adequate provision for payment of that Tax.

1.7 ***Tax Affairs (Investment Manager)***

The Guarantor shall, to the extent applicable, procure that the Investment Manager:

(a) promptly files all tax returns required to be filed by the Investment Manager in any jurisdiction; and

(b) promptly pays all Taxes payable by the Investment Manager or, if any Tax is being contested in good faith and by appropriate means, maintain adequate provision for payment of that Tax.

2. ***Covenants***

2.1 ***Limitation on Indebtedness***

(a) The Guarantor will not, and will not permit any Restricted Subsidiary to, Incur, directly or indirectly, any Indebtedness; provided, however, that the Guarantor and any Restricted Subsidiary will be entitled to Incur Indebtedness if, on the date of such Incurrence and after giving effect thereto on a pro forma basis, the Consolidated Coverage Ratio is at least (a) 2.5 to 1.0 if the Incurrence occurs prior to January 1, 2012 and (b) 3.0 to 1.0 if the Incurrence occurs on or after January 1, 2012.

(b) Notwithstanding the foregoing clause (a), the Guarantor and the Restricted Subsidiaries will be entitled to Incur any or all of the following Indebtedness:

(1) Indebtedness Incurred by the Guarantor pursuant to the Credit Agreement; provided, however, that, after giving effect to any such Incurrence, the aggregate principal amount of all Indebtedness Incurred under this clause (1) and then outstanding does not exceed SAR1.87 billion less the sum of all principal payments with respect to such Indebtedness pursuant to clause (a)(3)(A) and (a)(3)(C) of Paragraph 2.4 (*Limitation on Sales of Assets and Subsidiary Stock*);

(2) Indebtedness (including any Ijara agreements and Murabaha agreements) owed to and held by the Guarantor or a Restricted Subsidiary; provided, however, that (A) any subsequent issuance or transfer of any Capital Stock which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Guarantor or a Restricted Subsidiary) shall be deemed, in each case, to constitute the Incurrence of such Indebtedness by the obligor thereon and (B) if the Guarantor is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations with respect to its Guarantee;

(3) Indebtedness outstanding on the Issue Date (other than Indebtedness described in clause (b)(1) or (b)(2) of this covenant) and the incurrence of Indebtedness represented by the Guarantee and any obligations of the Investment Manager to make any payment(s) to the Issuer in accordance with the Investment Management Agreement (to the extent deemed to constitute Indebtedness);

(4) Indebtedness ("**Acquired Indebtedness**") of a Restricted Subsidiary Incurred and outstanding on or prior to the date on which such Subsidiary was acquired by the Guarantor (other than Indebtedness Incurred in connection with, or to provide all or any portion of the

funds or credit support utilised to consummate, the transaction or series of related transactions pursuant to which such Subsidiary became a Subsidiary or was acquired by the Guarantor); provided, however, that on the date of such acquisition and after giving pro forma effect thereto, the Guarantor would have been entitled to Incur at least SAR1.00 of additional Indebtedness pursuant to clause (a) of this Paragraph 2.1;

(5) Refinancing Indebtedness in respect of Indebtedness Incurred pursuant to clause (a) or pursuant to clause (b)(3) or (b)(4) or this clause (b)(5);

(6) Hedging Obligations directly related to Indebtedness permitted to be Incurred by the Guarantor and the Restricted Subsidiaries pursuant to the Guarantee entered into in the ordinary course of business and designed solely to protect the Guarantor or the relevant Restricted Subsidiary from fluctuations in interest rates or financing costs, currencies or the price of commodities and not for speculation;

(7) Workers' compensation claims, self-insurance obligations, obligations in respect of performance, bid and surety bonds and completion guarantees incurred or provided by the Guarantor or any Restricted Subsidiary in the ordinary course of business;

(8) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within five Business Days of its Incurrence;

(9) Indebtedness arising from agreements of the Guarantor or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business, assets or Capital Stock of the Guarantor or any Restricted Subsidiary; provided that (A) the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds (including the Fair Market Value of non-cash consideration) actually received by (or held in escrow as a collateral for such Indebtedness for later release to) the Guarantor and its Restricted Subsidiaries in connection with such disposition (without giving effect to any subsequent changes in value) and (B) such Indebtedness is not, on the date of its Incurrence, reflected on the balance sheet of the Guarantor or any Restricted Subsidiary (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet shall not be deemed to be reflected on such balance sheet for purposes of this clause (b)(9)(B));

(10) Indebtedness Incurred by the Guarantor or any Restricted Subsidiary for the purpose of financing (i) all or any part of the purchase price of real or personal property or equipment to be used in the Permitted Business in the ordinary course of business through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon such acquisition, become a Restricted Subsidiary or (ii) all or any part of the purchase price or the cost of acquisition, development, construction or improvement of real or personal property or equipment to be used in the Permitted Business by the Guarantor or such Restricted Subsidiary in the ordinary course of business; *provided, however* that (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 60 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (b)(10) (together with Refinancing thereof) does not exceed an amount equal to 15 per cent. of Total Assets; and

(11) Indebtedness of the Guarantor and the Restricted Subsidiaries in an aggregate principal amount which, when taken together with all other Indebtedness of the Guarantor and the Restricted Subsidiaries outstanding on the date of such Incurrence (other than Indebtedness permitted by clause (a) or clauses (b)(1) through (b)(10)) does not exceed SAR300 million (or the SAR Equivalent thereof).

(c) Notwithstanding the foregoing, the Guarantor will not Incur any Indebtedness pursuant to the foregoing clause (b) if the proceeds thereof are used, directly or indirectly, to Refinance any Subordinated Obligations of the Guarantor unless such Indebtedness shall be subordinated to the

Certificates or the applicable Guarantee to at least the same extent as such Subordinated Obligations.

(d) For purposes of determining compliance with this covenant:

(1) any Indebtedness outstanding on the Issue Date under the Credit Agreements will be treated as Incurred under clause (1) of paragraph (b) above;

(2) in the event that an item of Indebtedness (or any portion thereof) meets the criteria of more than one of the types of Indebtedness described above, the Guarantor, in its sole discretion, will classify such item of Indebtedness (or any portion thereof) at the time of Incurrence and will only be required to include the amount and type of such Indebtedness in one of the above clauses; and

(3) the Guarantor will be entitled to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described above.

(e) For purposes of determining compliance with any SAR denominated restriction on the Incurrence of Indebtedness where the Indebtedness Incurred is denominated in a different currency, the amount of such Indebtedness will be the SAR Equivalent determined on the date of the Incurrence of such Indebtedness; provided, however, that if any such Indebtedness denominated in a different currency is subject to a Currency Agreement with respect to SAR covering all principal, premium, if any, and interest payable on such Indebtedness, the amount of such Indebtedness expressed in SAR will be as provided in such Currency Agreement. The principal amount of any Refinancing Indebtedness Incurred in the same currency as the Indebtedness being Refinanced will be the SAR Equivalent, as appropriate, of the Indebtedness Refinanced, except to the extent that (1) such SAR Equivalent was determined based on a Currency Agreement, in which case the Refinancing Indebtedness will be determined in accordance with the preceding sentence, and (2) the principal amount of the Refinancing Indebtedness exceeds the principal amount of the Indebtedness being Refinanced, in which case the SAR Equivalent of such excess, as appropriate, will be determined on the date such Refinancing Indebtedness is Incurred.

2.2 *Limitation on Restricted Payments*

(a) The Guarantor will not, and will not permit any Restricted Subsidiary, directly or indirectly, to make a Restricted Payment if at the time the Guarantor or such Restricted Subsidiary makes such Restricted Payment:

(1) a Default shall have occurred and be continuing (or would result therefrom);

(2) the Guarantor is not entitled to Incur an additional SAR1.00 of Indebtedness pursuant to clause (a) of the covenant described under Paragraph 2.1 (*Limitation on Indebtedness*); or

(3) the aggregate amount of such Restricted Payment and all other Restricted Payments since the Issue Date would exceed the sum of (without duplication):

(A) 50 per cent. of the Consolidated Net Income accrued during the period (treated as one accounting period) from the beginning of the fiscal quarter during which the Issue Date occurs to the end of the most recent fiscal quarter for which financial statements are available (or, in case such Consolidated Net Income shall be a deficit, minus 100 per cent. of such deficit); plus

(B) 100 per cent. of the aggregate Net Cash Proceeds received by the Guarantor from the issuance or sale of its Capital Stock (other than Disqualified Stock) subsequent to the Issue Date (other than an issuance or sale to a Subsidiary of the Guarantor and other than an issuance or sale to an employee stock ownership plan or to a trust established by the Guarantor or any of its Subsidiaries for the benefit of their employees to the extent such sale to an employee stock ownership plan or similar trust is financed by loans or guaranteed by the Guarantor or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination) and 100 per cent. of any cash capital contribution received by the Guarantor from its shareholders subsequent to the Issue Date; plus

(C) the amount by which Indebtedness of the Guarantor is reduced on the Guarantor's balance sheet upon the conversion or exchange subsequent to the Issue Date of any Indebtedness of the Guarantor convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Guarantor (less the amount of any cash, or the fair value of any other property, distributed by the Guarantor upon such conversion or exchange); provided, however, that the foregoing amount shall not exceed the Net Cash Proceeds received by the Guarantor or any Restricted Subsidiary from the sale of such Indebtedness (excluding Net Cash Proceeds from sales to a Subsidiary of the Guarantor or to an employee stock ownership plan or a trust established by the Guarantor or any of its Subsidiaries for the benefit of their employees); plus

(D) an amount equal to the sum of (x) the net reduction in the Investments (other than Permitted Investments) made by the Guarantor or any Restricted Subsidiary in any Person resulting from repurchases, repayments or redemptions of such Investments by such Person, proceeds realised on the sale of such Investment and proceeds representing the return of capital (excluding dividends and distributions), in each case received by the Guarantor or any Restricted Subsidiary, and (y) to the extent such Person is an Unrestricted Subsidiary, the portion (proportionate to the Guarantor's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary; provided, however, that the foregoing sum shall not exceed, in the case of any such Person or Unrestricted Subsidiary, the amount of Investments (excluding Permitted Investments) previously made (and treated as a Restricted Payment) by the Guarantor or any Restricted Subsidiary in such Person or Unrestricted Subsidiary.

(b) The preceding provisions will not prohibit:

(1) any Restricted Payment made out of the Net Cash Proceeds of the substantially concurrent sale of, or made by exchange for, Capital Stock of the Guarantor (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary of the Guarantor or an employee stock ownership plan or to a trust established by the Guarantor or any of its Subsidiaries for the benefit of their employees to the extent such sale to an employee stock ownership plan or similar trust is financed by loans or guaranteed by the Guarantor or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination) or a substantially concurrent cash capital contribution received by the Guarantor from its shareholders; provided, however, that (A) such Restricted Payment shall be excluded in the calculation of the amount of Restricted Payments and (B) the Net Cash Proceeds from such sale or such cash capital contribution (to the extent so used for such Restricted Payment) shall be excluded from the calculation of amounts under clause (3)(B) of clause (a) above;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations of the Guarantor made by exchange for, or out of the proceeds of the substantially concurrent Incurrence of, Indebtedness of such Person which is permitted to be Incurred pursuant to Paragraph 2.1 (*Limitation on Indebtedness*); provided, however, that such purchase, repurchase, redemption, defeasance or other acquisition or retirement for value shall be excluded in the calculation of the amount of Restricted Payments;

(3) dividends paid within 60 days after the date of declaration thereof if at such date of declaration such dividend would have complied with this Paragraph; provided, however, that such dividend shall be included in the calculation of the amount of Restricted Payments;

(4) so long as no Default has occurred and is continuing, the purchase, redemption or other acquisition of shares of Capital Stock of the Guarantor or any of its Subsidiaries from employees, former employees, directors or former directors of the Guarantor or any of its Subsidiaries (or permitted transferees of such employees, former employees, directors or former directors), pursuant to the terms of the agreements (including employment agreements) or plans (or amendments thereto) approved by the Board of Directors under which such individuals purchase or sell or are granted the option to purchase or sell, shares of such Capital Stock; provided, however, that the aggregate amount of such Restricted

Payments (excluding amounts representing cancellation of Indebtedness) shall not exceed SAR20 million in any calendar year; provided further, however, that such Restricted Payments shall be excluded in the calculation of the amount of Restricted Payments;

(5) the declaration or payments of dividends on Disqualified Stock issued pursuant to Paragraph 2.1 (*Limitation on Indebtedness*); provided, however, that, at the time of declaration or payment of such dividend, no Default shall have occurred and be continuing (or result therefrom); provided further, however, that such dividends shall be excluded in the calculation of the amount of Restricted Payments;

(6) repurchases of Capital Stock deemed to occur upon exercise of stock options if such Capital Stock represents a portion of the exercise price of such options; provided, however, that such Restricted Payments shall be excluded in the calculation of the amount of Restricted Payments;

(7) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Guarantor; provided, however, that any such cash payment shall not be for the purpose of evading the limitation of this Paragraph (as determined in good faith by the Board of Directors); provided further, however, that such payments shall be excluded in the calculation of the amount of Restricted Payments;

(8) in the event of a change of control with respect to the relevant Subordinated Obligations, and if no Default shall have occurred and be continuing, the payment, purchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations of the Guarantor, in each case, at a purchase price not greater than 101 per cent. of the principal amount of such Subordinated Obligations, plus any accrued and unpaid interest thereon; provided, however, that prior to such payment, purchase, redemption, defeasance or other acquisition or retirement, the Guarantor (or a third party to the extent permitted by the Guarantee) has made a Change of Control Offer (to the extent required) with respect to the Certificates as a result of such Change of Control and has repurchased all Certificates validly tendered and not withdrawn in connection with such Change of Control Offer; provided further, however, that such payments, purchases, redemptions, defeasances or other acquisitions or retirements shall be included in the calculation of the amount of Restricted Payments;

(9) payments of intercompany subordinated Indebtedness, the Incurrence of which was permitted under clause (b)(2) of Paragraph 2.1 (*Limitation on Indebtedness*); provided, however, that no Default has occurred and is continuing or would otherwise result therefrom; provided further, however, that such payments shall be excluded in the calculation of the amount of Restricted Payments;

(10) The declaration or payment of a one-time dividend by the Guarantor during the year ended December 31, 2010 to holders of its ordinary shares, par value of SAR10 each, listed on the Saudi Stock Exchange (Tadawul) under the symbol 4300, in an amount not to exceed SAR1.00 per outstanding share as of December 31, 2009; provided, however that no Default has occurred and is continuing or would otherwise result therefrom; provided further, however, that such payments shall be excluded in the calculation of the amount of Restricted Payments;

(11) The making of strategic minority Investments in Persons that are engaged in a Related Business and made primarily for the commercial benefit of the Guarantor and the Restricted Subsidiaries (as determined by the Guarantor in good faith) in an aggregate amount, taken together with all Investments made pursuant to this clause (11), not to exceed 10 per cent. of Total Assets; provided, however, that (A) at the time of each such minority Investment, no Default shall have occurred and be continuing or would otherwise result therefrom, (B) such Investment is approved by the Board of Directors and is entered into in good faith on an arm's length basis and (C) on the date of making such strategic minority Investment and after giving pro forma effect thereto, the Guarantor would have been entitled to Incur at least SAR1.00 of additional Indebtedness pursuant to clause (a) of the covenant described under Paragraph 2.1 (*Limitation on Indebtedness*); provided further, however, that such payments shall be excluded from the calculation of the amount of Restricted Payments under clause (a)(3) of this Paragraph 2.2;

(12) Restricted Payments in an amount which, when taken together with all Restricted Payments made pursuant to this clause (12), does not exceed SAR100 million (or the SAR Equivalent thereof); provided, however, that (A) at the time of each such Restricted Payment, no Default shall have occurred and be continuing (or result therefrom) and (B) such payments shall be included in the calculation of the amount of Restricted Payments; or

(13) The declaration or payment of dividends by the Guarantor to holders of its ordinary shares, par value of SAR10 each, listed on the Saudi Stock Exchange (Tadawul) under the symbol 4300, in an aggregate amount, taken together with all other payments of dividends made pursuant to this clause (13), not to exceed 25 per cent. of the Consolidated Net Income accrued during the period (treated as one accounting period) from the beginning of the fiscal quarter during which the Issue Date occurs to the end of the most recent fiscal quarter for which financial statements are available (or in the case such Consolidated Net Income shall be a deficit, minus 100 per cent. of such deficit); provided, however, that at the time of declaration and payment of such dividend, no Default shall have occurred and be continuing (or result therefrom) and the Guarantor is entitled to Incur an additional SAR1.00 of Indebtedness pursuant to clause (a) of the covenant described under Paragraph 2.1 (*Limitation on Indebtedness*); provided further, however, such dividends shall be excluded from the calculation of Restricted Payments under clause (a)(3) of this Paragraph 2.2.

2.3 *Limitation on Restrictions on Distributions from Restricted Subsidiaries*

The Guarantor will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to (i) pay dividends or make any other distributions on its Capital Stock to the Guarantor or a Restricted Subsidiary or pay any Indebtedness owed to the Guarantor or a Restricted Subsidiary, (ii) make any loans or advances to the Guarantor or a Restricted Subsidiary or (iii) transfer any of its property or assets to the Guarantor or a Restricted Subsidiary, except:

(a) with respect to (i), (ii) and (iii),

(1) any encumbrance or restriction pursuant to an agreement in effect at or entered into on the Issue Date;

(2) any encumbrance or restriction with respect to a Restricted Subsidiary pursuant to an agreement relating to any Acquired Indebtedness and outstanding on such date;

(3) any encumbrance or restriction pursuant to an agreement effecting a Refinancing of Indebtedness Incurred pursuant to an agreement referred to in clause (1) or (2) of clause (a) of this covenant or this clause (3) or contained in any amendment to an agreement referred to in clause (1) or (2) of clause (a) of this covenant or this clause (3); provided, however, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such refinancing agreement or amendment are no less favourable to the Certificateholders than encumbrances and restrictions, taken as a whole, with respect to such Restricted Subsidiary contained in such predecessor agreements;

(4) any encumbrance or restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition;

(5) any encumbrance or restriction contained in the terms of any Indebtedness permitted to be Incurred pursuant to Paragraph 2.1 (*Limitation on Indebtedness*) or any agreement pursuant to which such Indebtedness was issued if (x) either (i) the encumbrance or restriction applies only in the event of and during the continuance of a payment default or a default with respect to a financial covenant contained in such Indebtedness or agreement or (ii) the Guarantor determines at the time any such Indebtedness is Incurred (and at the time of any modification of the terms of any such encumbrance or restriction) that any such encumbrance or restriction will not materially affect the Guarantor's ability to make principal or Periodic Distribution Amount payments on the Certificates and any other Indebtedness that is an obligation of the Guarantor; and (y) the encumbrance or restriction is not materially more disadvantageous to the holders of the Certificates than is customary in comparable financings or agreements (as determined by the Guarantor in good faith);

(6) Liens permitted to be incurred under Paragraph 2.8 (*Limitation on Liens*) that limit the right of the debtor to dispose of assets subject to such Liens;

(7) Any encumbrance or restriction that is as a result of applicable law or regulation; and

(8) Any encumbrances or restrictions imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in sub clauses (1) through (7) above; provided that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Board of Directors of the Guarantor, not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in the dividends or other payment restrictions prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing.

(b) with respect to (iii) only,

(1) any encumbrance or restriction consisting of customary non-assignment provisions in leases governing leasehold interests to the extent such provisions restrict the transfer of the lease or the property leased thereunder; and

(2) any encumbrance or restriction contained in security agreements or mortgages securing Indebtedness of a Restricted Subsidiary to the extent such encumbrance or restriction restricts the transfer of the property subject to such security agreements or mortgages.

2.4 ***Limitation on Sales of Assets and Subsidiary Stock***

(a) The Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, consummate any Asset Disposition unless:

(1) the Guarantor or such Restricted Subsidiary receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value (including as to the value of all non-cash consideration), as determined in good faith by the Board of Directors, of the shares and assets subject to such Asset Disposition;

(2) at least 75 per cent. of the consideration thereof received by the Guarantor or such Restricted Subsidiary is in the form of (i) cash, (ii) cash equivalents, (iii) Additional Assets or (iv) a combination of the consideration specified in (i) to (iii); and

(3) an amount equal to 100 per cent. of the Net Available Cash from such Asset Disposition is applied by the Guarantor (or such Restricted Subsidiary, as the case may be)

(A) first, to the extent the Guarantor elects (or is required by the terms of any Indebtedness), to prepay, repay, redeem or purchase Senior Indebtedness of the Guarantor or Indebtedness (other than any Disqualified Stock) of a Restricted Subsidiary (in each case other than Indebtedness owed to the Guarantor or an Affiliate of the Guarantor) within one year from the later of the date of such Asset Disposition or the receipt of such Net Available Cash;

(B) second, to the extent of the balance of such Net Available Cash after application in accordance with clause (A) of this clause (a)(3) of this Paragraph 2.4 , to the extent the Guarantor elects, to invest in any Additional Assets or Replacement Assets within one year from the later of the date of such Asset Disposition or the receipt of such Net Available Cash; and

(C) third, to the extent of the balance of such Net Available Cash after application in accordance with clauses (A) and (B) of this clause (a)(3) of this Paragraph 2.4, to make an offer to the holders of the Certificates (and to holders of other Senior Indebtedness of the Guarantor designated by the Guarantor) to purchase Certificates (and such other Senior Indebtedness) (the "**Asset Disposition Offer**") pursuant to and subject to this Paragraph 2.4;

provided, however, that in connection with any prepayment, repayment or purchase of Indebtedness pursuant to clause (A) or (C) of this Paragraph 2.4(a)(3), the Guarantor or such Restricted Subsidiary shall permanently retire such Indebtedness and shall cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased.

Notwithstanding the foregoing provisions of this Paragraph 2.4(a), the Guarantor and the Restricted Subsidiaries will not be required to apply any Net Available Cash in accordance with this Paragraph except to the extent that the aggregate Net Available Cash from all Asset Dispositions which is not applied in accordance with this Paragraph exceeds SAR100 million (or the SAR Equivalent thereof). Pending application of Net Available Cash pursuant to this Paragraph, such Net Available Cash shall be invested in Temporary Cash Investments or applied to temporarily reduce revolving credit indebtedness.

For the purposes of this Paragraph, the following are deemed to be cash or cash equivalents:

(1) the assumption or discharge of Indebtedness of the Guarantor (other than obligations in respect of Disqualified Stock of the Guarantor) or any Restricted Subsidiary and the release of the Guarantor or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition; and

(2) securities received by the Guarantor or any Restricted Subsidiary from the transferee that are promptly converted by the Guarantor or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

(b) In the event of an Asset Disposition that requires the purchase of Certificates (and other Senior Indebtedness) pursuant to clause (a)(3)(C) of this Paragraph 2.4, the Guarantor will purchase Certificates tendered pursuant to an offer by the Guarantor for the Certificates (and such other Senior Indebtedness) at a purchase price of 100 per cent. of their face amount (or, in the event such other Senior Indebtedness was issued with significant original issue discount, 100 per cent. of the accreted value thereof), without premium, plus accrued but unpaid Periodic Distribution Amounts (or, in respect of such other Senior Indebtedness, such lesser price, if any, as may be provided for by the terms of such Senior Indebtedness). If the aggregate purchase price of the securities tendered exceeds the Net Available Cash allotted to their purchase, the Guarantor will select the securities to be purchased on a pro rata basis but in round denominations, which in the case of the Certificates will be denominations of $100,000 and any integral multiples of $1,000 face amount. The Guarantor shall not be required to make such an offer to purchase Certificates (and other Senior Indebtedness) pursuant to this Paragraph if the Net Available Cash available therefor is less than SAR100 million (or the SAR Equivalent thereof) (which lesser amount shall be carried forward for purposes of determining whether such an offer is required with respect to the Net Available Cash from any subsequent Asset Disposition). Upon completion of such an offer to purchase, Net Available Cash will be deemed to be reduced by the aggregate amount of such offer. All Certificates purchased by the Guarantor pursuant to an Asset Disposition Offer shall be surrendered for cancellation by the Issuer in accordance with Condition 6.4(c).

(c) The Guarantor will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Certificates pursuant to this Paragraph. To the extent that the provisions of any securities laws or regulations conflict with provisions of this Paragraph, the Guarantor will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Paragraph by virtue of its compliance with such securities laws or regulations.

2.5 ***Limitation on Affiliate Transactions***

(a) The Guarantor will not, and will not permit any Restricted Subsidiary to, enter into or permit to exist any transaction (including the purchase, sale, lease or exchange of any property, employee compensation arrangements or the rendering of any service) with, or for the benefit of, any Affiliate of the Guarantor or any of its Restricted Subsidiaries (an "**Affiliate Transaction**") unless:

(1) the terms of the Affiliate Transaction are no less favourable to the Guarantor or such Restricted Subsidiary than those that could be obtained at the time of the Affiliate Transaction in arm's-length dealings with a Person who is not an Affiliate of the Guarantor or any of its Restricted Subsidiaries;

(2) if such Affiliate Transaction involves an amount in excess of SAR50 million (or the SAR Equivalent thereof), the terms of the Affiliate Transaction are set forth in writing and a

majority of the directors of the Guarantor disinterested with respect to such Affiliate Transaction have determined in good faith that the criteria set forth in clause (1) are satisfied and have approved the relevant Affiliate Transaction as evidenced by a resolution of the Board of Directors; and

(3) if such Affiliate Transaction involves an amount in excess of SAR150 million (or the SAR Equivalent thereof), the Board of Directors shall also have received a written opinion from an Independent Qualified Party to the effect that such Affiliate Transaction is fair, from a financial standpoint, to the Guarantor and its Restricted Subsidiaries or is not less favourable the Guarantor and its Restricted Subsidiaries than could reasonably be expected to be obtained at the time in an arm's-length transaction with a Person who was not an Affiliate.

(b) The provisions of the preceding clause (a) will not prohibit:

(1) any Permitted Investment other than paragraphs (1) (in respect of the making of an Investment that causes such Person to become a Restricted Subsidiary), (2) and (13) of such defined term;

(2) Restricted Payments (other than any Restricted Payments made pursuant to Clauses 2.2(b)(11) and (12) of Paragraph 2.2 (*Limitation on Restricted Payments*)) that do not violate the covenant set forth in Paragraph 2.2 (*Limitation on Restricted Payments*);

(3) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock options and stock ownership plans approved by the Board of Directors;

(4) loans or advances to employees in the ordinary course of business in accordance with the past practices of the Guarantor or its Restricted Subsidiaries;

(5) the payment of reasonable fees to directors of the Guarantor and its Restricted Subsidiaries;

(6) any transaction with the Guarantor, a Restricted Subsidiary or joint venture or similar entity which would constitute an Affiliate Transaction solely because the Guarantor or a Restricted Subsidiary owns an equity interest in or otherwise controls such Restricted Subsidiary, joint venture or similar entity, including, but not limited to, any transaction with Saudi Home Loans Company; and

(7) the issuance or sale of any Capital Stock (other than Disqualified Stock) of the Guarantor;

(8) transactions entered into on or prior to the Issue Date;

(9) transactions between the Guarantor and any Restricted Subsidiary or between Restricted Subsidiaries; and

(10) arrangements with customers, suppliers, contractors, lessors or sellers of goods or services that are negotiated with an Affiliate, in ease case, which are in the ordinary course of business and otherwise in compliance with the terms of the Guarantee' provided that the terms and conditions of any such transaction or agreement as applicable to the Guarantor and its Restricted Subsidiaries (a) are fair to the Guarantor and its Restricted Subsidiaries and are on terms more favourable to the Guarantor and its Restricted Subsidiaries than those that could have reasonably been obtained in respect of a analogous transaction or agreement that would not constitute an Affiliate Transaction, (b) the performance by the Guarantor and any of its Restricted Subsidiaries in respect of any such arrangements are for its own behalf and in its own name and (c) the Guarantor and its Restricted Subsidiaries do not assume, and are otherwise not liable for any performance or breach in respect of any such arrangements by the relevant Affiliate.

(c) The provisions of clause 2.5(a)(3) shall not apply to Affiliate Transactions resulting from a competitive tendering process instituted by the Guarantor or a Restricted Subsidiary in the ordinary course of business of the Guarantor or a Restricted Subsidiary resulting in at least three *bona fide* bids by Persons who are not Affiliates of the Guarantor or a Restricted Subsidiary and which Affiliate Transactions are subsequently disclosed as required to the Saudi Stock Exchange (Tadawul All Share Index) and to the Guarantor's shareholders at its next annual general assembly.

2.6 ***Limitation on Line of Business***

The Guarantor will not, and will not permit any Restricted Subsidiary, to engage in any business other than a Related Business.

2.7 ***Limitation on Conduct of Business of Investment Manager***

The Guarantor will ensure that the Investment Manager does not enter into any transaction or conduct any activities (including the incurrence of any Indebtedness) other than as may be permitted under, or contemplated by, the Investment Management Agreement and related Sukuk Contracts.

2.8 ***Limitation on Liens***

(a) The Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, Incur or permit to exist any Lien (the "**Initial Lien**") of any nature whatsoever on any of its properties, assets or revenues (including Capital Stock of a Restricted Subsidiary), whether owned at the Issue Date or thereafter acquired, other than Permitted Liens, without effectively providing that the obligations of the Guarantor and the Restricted Subsidiaries pursuant to the Transaction Documents shall be secured for the benefit of the Certificateholders by the creation of a Lien which is the same as the Initial Lien and (i) if such Indebtedness is Senior Indebtedness, equally and rateably with the obligations or (ii) if such Indebtedness is Subordinated Indebtedness, prior to the obligations so secured, in each case, for so long as such obligations are so secured, or by such other Lien as shall be approved by an Extraordinary Resolution of the Certificateholders.

Any Lien created for the benefit of the Certificateholders pursuant to the preceding sentence shall provide by its terms that the Issuer, the Trustee or the Delegate (as the case may be) shall provide such assistance as may be reasonably required by the Guarantor to unconditionally release and discharge their Lien upon the release and discharge of the Initial Lien.

(b) Notwithstanding the foregoing clause (a) and for so long as any Existing Sukuk Certificate is outstanding, the Guarantor will, and will ensure that the Restricted Subsidiaries will, ensure that at all times the aggregate amount of Total Assets of the Guarantor and its Restricted Subsidiaries which are free of and not encumbered by or subject to any Lien (including any Permitted Liens) will not be less than 1.25 times the aggregate amount of Indebtedness that is not secured by or subject to any Lien or other Security Interest of the Guarantor and its Restricted Subsidiaries as determined by the Guarantor in good faith and evidenced by the Compliance Certificate.

2.9 ***Limitation on Sale/Leaseback Transactions***

The Guarantor will not, and will not permit any Restricted Subsidiary to, enter into any Sale/Leaseback Transaction with respect to any property unless:

(1) The Guarantor or such Restricted Subsidiary would be entitled to (A) Incur Indebtedness in an amount equal to the Attributable Debt with respect to such Sale/Leaseback Transaction pursuant to Paragraph 2.1 (*Limitation on Indebtedness*) and (B) create a Lien on such property securing such Attributable Debt without equally and rateably securing the Certificates pursuant to Paragraph 2.8 (*Limitation on Liens*);

(2) the net proceeds received by the Guarantor or any Restricted Subsidiary in connection with such Sale/Leaseback Transaction are at least equal to the Fair Market Value (as determined by the Board of Directors) of such property; and

(3) the Guarantor applies the proceeds of such transaction in compliance with Paragraph 2.4 (*Limitation on Sales of Assets and Subsidiary Stock*).

2.10 ***Merger and Consolidation***

The Guarantor will not consolidate with or merge with or into, or convey, transfer or lease, in one transaction or a series of transactions, directly or indirectly, all or substantially all its assets to, any Person, unless:

(1) the resulting, surviving or transferee Person (the "**Successor Company**") shall be a Person organised and existing under the laws of the Kingdom of Saudi Arabia, any state which is a

member of the European Union, Canada, the United States, any state thereof or the District of Columbia and the Successor Company (if not the Guarantor) shall expressly assume, by a guarantee supplemental thereto, executed and delivered to the Issuer, the Trustee and the Delegate, in form satisfactory to the Issuer, the Trustee and the Delegate, all the obligations of the Guarantor under the Certificates and the Guarantee;

(2) immediately after giving pro forma effect to such transaction (and treating any Indebtedness which becomes an obligation of the Successor Company or any Subsidiary as a result of such transaction as having been Incurred by such Successor Company or such Subsidiary at the time of such transaction), no Default shall have occurred and be continuing;

(3) immediately after giving pro forma effect to such transaction, (i) the Successor Company would be able to Incur an additional SAR1.00 of Indebtedness pursuant to paragraph (a) of Paragraph 2.1 (*Limitation on Indebtedness*) or (ii) the Consolidated Coverage Ratio would be no less than the Consolidated Coverage Ratio immediately prior to such transaction; and

(4) the Guarantor shall have delivered to the Issuer, the Trustee and the Delegate an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Guarantee,

provided, however, that clause (3) will not be applicable to (A) a Restricted Subsidiary consolidating with, merging into or transferring all or part of its properties and assets to the Guarantor (so long as no Capital Stock of the Guarantor is distributed to any Person) or (B) the Guarantor merging with an Affiliate of the Guarantor solely for the purpose and with the sole effect of reincorporating the Guarantor in another jurisdiction.

For purposes of this Paragraph 2.10, the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Guarantor, which properties and assets, if held by the Guarantor instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Guarantor on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Guarantor.

The Successor Company will be the successor to the Guarantor and shall succeed to, and be substituted for, and may exercise every right and power of, the Guarantor under the Guarantee, and the predecessor Guarantor, except in the case of a lease, shall be released from the obligation to pay the principal of and Periodic Distribution Amounts on the Certificates.

2.11 *Reports*

As long as any Certificates are outstanding, the Guarantor will furnish to the Certificateholders, the Issuer, the Trustee and the Delegate:

(1) within 120 days after the end of the Guarantor's fiscal year, annual reports containing audited consolidated balance sheets of the Guarantor as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Guarantor for the three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements;

(2) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Guarantor beginning with the quarter ending March 31, 2010 quarterly reports containing an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the quarterly and year to date periods ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure;

(3) promptly after the occurrence of a material acquisition, disposition, restructuring or change in auditors or any other material event, a report containing a description of such event; and

(4) at the times specified for such information, such information as the Guarantor is required to report by the London Stock Exchange.

Substantially concurrently with the furnishing to the Issuer, the Trustee, the Delegate and the Certificateholders of the reports specified above, the Guarantor shall also (1) use its commercially reasonable efforts to post copies of such reports on such website as may be then maintained by the Guarantor and its subsidiaries or a direct or indirect parent of the Guarantor or (2) to the extent the

Guarantor determined in good faith that it cannot make such reports available in the manner described in the preceding clause (1) after the use of its commercially reasonable efforts, furnish at its expense such reports to prospective purchasers of the Certificates, upon their request.

In addition, the Guarantor will furnish to the Holders and to prospective investors, upon the requests of such Holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the Certificates are not freely transferable under the Securities Act.

2.12 ***Changes in Covenants When Certificates are Rated Investment Grade***

If, on any date following the date of the Guarantee, the Certificates have an Investment Grade rating from both of the Rating Agencies and no Dissolution Event or Dar Al-Arkan Event has occurred and is continuing (a "**Suspension Event**"), then, beginning on the day the Investment Grade rating has been received and continuing until such time, if any, at which the Certificates cease to have an Investment Grade rating from either of the Rating Agencies, the following provisions of the Guarantee will not apply to the Certificates: Paragraphs 2.1 (*Limitation on Indebtedness*), 2.2 (*Limitation on Restricted Payments*), 2.3 (*Limitation on Distributions from Restricted Subsidiaries*), 2.4 (*Limitation on Sales of Assets and Subsidiary Stock*), 2.5 (*Limitation on Affiliate Transactions*), 2.6 (*Limitation on Line of Business*) and 2.9 (*Limitation on Sale/Leaseback Transactions*).

Such Paragraphs will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Guarantor properly taken during the continuance of the Suspension Event, and Paragraph 2.2 (*Limitation on Restricted Payments*) will be interpreted as if it had been in effect since the date of the Guarantee except that no Dar Al-Arkan Event will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

Defeasance

Under the terms of the Guarantee, Dar Al-Arkan will have the option to elect: (i) not to be bound by its obligation to repurchase Certificates following a Change of Control or comply with certain covenants prescribed in the Guarantee; and (ii) that the operation of the Dar Al-Arkan Events entitled "Cross Default" and with respect of Significant Subsidiaries only, the Dar Al-Arkan Event entitled "Insolvency" no longer apply to Dar Al-Arkan and/or its Significant Subsidiaries, as the case may be. In order to exercise this option, Dar Al-Arkan must: (a) irrevocably deposit in trust with the Trustee money or Government Obligations that, through the payment of principal and profit and/or other distributions in respect thereof in accordance with their terms, will provide money in an amount sufficient to pay an amount equal to the Required Defeasance Amount; and (b) obtain certain certificates and legal opinions, as more particularly described in the Guarantee. Such money or government obligations and all other sums derived therefrom and rights in respect thereof will form part of the Trust Assets and will be held in such manner as the Delegate shall approve in its absolute discretion.

Definitions

For purposes of the Guarantee, unless otherwise defined or unless the context otherwise requires, terms used shall have the meanings set forth in the Declaration of Trust or the Conditions, and the following terms shall have the following meanings:

"**Additional Assets**" means:

(1) any real property whether undeveloped, in development or developed, plant or equipment used in a Related Business together with any improvements thereon;

(2) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Guarantor or another Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary;

provided, however, that any such Restricted Subsidiary described in (2) or (3) above is primarily engaged in a Related Business.

"**Affiliate**" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "**control**" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing. For purposes of Paragraphs 2.2 (*Limitation on Restricted Payments*), 2.4 (*Limitation on Sales of Assets and Subsidiary Stock*) and 2.5 (*Limitation on Affiliate Transactions*) only, "**Affiliate**" shall also mean any beneficial owner of Capital Stock representing 5 per cent. or more of the total voting power of the Voting Stock (on a fully diluted basis) of the Guarantor or of rights or warrants to purchase such Capital Stock (whether or not currently exercisable) and any Person who would be an Affiliate of any such beneficial owner pursuant to the first sentence hereof.

"**Asset Disposition Offer**" has the meaning given to it in Paragraph 2.4 (*Limitation on Sales of Assets and Subsidiary Stock*).

"**Asset Disposition**" means any sale, lease, transfer or other disposition (or series of related sales, leases, transfers or dispositions) by the Guarantor or any Restricted Subsidiary, including any disposition by means of a merger, consolidation or similar transaction (each referred to for the purposes of this definition as a "**disposition**"), of:

(1) any shares of Capital Stock of a Restricted Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Guarantor or a Restricted Subsidiary);

(2) all or substantially all the property or assets of any division or line of business of the Guarantor or any Restricted Subsidiary; or

(3) any other assets of the Guarantor or any Restricted Subsidiary outside of the ordinary course of business of the Guarantor or such Restricted Subsidiary.

Notwithstanding (1), (2) and (3) above, the following shall not be Asset Dispositions:

(A) sales, transfer or other dispositions of inventory, receivables and other current assets and investment properties and development properties reflected on the Guarantor's Consolidated Statement of Financial Position, in each case in the ordinary course of business;

(B) a disposition by a Restricted Subsidiary to the Guarantor or by the Guarantor or a Restricted Subsidiary to a Restricted Subsidiary;

(C) for purposes of Paragraph 2.4 (*Limitation on Sales of Assets and Subsidiary Stock*) only, a disposition that constitutes a Restricted Payment (or would constitute a Restricted Payment but for the exclusions from the definition thereof) and that is not prohibited by Paragraph 2.2 (*Limitation on Restricted Payments*);

(D) a disposition of assets with a Fair Market Value of less than SAR5.0 million in any transaction or series of related transactions;

(E) a disposition of cash or Temporary Cash Investments;

(F) the creation of a Lien (but not the sale or other disposition of the property subject to such Lien);

(G) an issuance of Capital Stock by a Restricted Subsidiary to the Guarantor or to another Restricted Subsidiary;

(H) transactions permitted under Paragraph 2.10 (*Merger and Consolidation*);

(I) dispositions in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements; and

(J) the grant of licenses to intellectual property rights to third parties on an arm's length basis in the ordinary course of business.

"**Attributable Debt**" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (implicit in the lease determined in accordance with IFRS or the periodic distribution rate borne by the Certificates, compounded annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended); provided, however, that if such Sale/Leaseback

Transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of "Capital Lease Obligation".

"**Average Life**" means, as of the date of determination, with respect to any Indebtedness, the quotient obtained by dividing:

(1) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of or redemption or similar payment with respect to such Indebtedness multiplied by the amount of such payment by

(2) the sum of all such payments.

"**Board of Directors**" means the Board of Directors of the Guarantor or any committee thereof duly authorised to act on behalf of such Board.

"**Business Day**" means each day which is not a Legal Holiday.

"**Capital Lease Obligation**" means an obligation that is required to be classified and accounted for as a capital lease for financial reporting purposes in accordance with IFRS, and the amount of Indebtedness represented by such obligation shall be the capitalised amount of such obligation determined in accordance with IFRS; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty. For purposes of Paragraph 2.8 (*Limitation on Liens*), a Capital Lease Obligation will be deemed to be secured by a Lien on the property being leased.

"**Capital Stock**" of any Person means any and all shares, interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, but excluding any debt securities convertible into such equity.

"**Change of Control**" has the meaning given to it under "*Terms and Conditions of the Certificates—Repurchase of Certificates following a Change of Control*".

"**Compliance Certificate**" means the certificate to be provided by the Guarantor to the Delegate pursuant to Clause 2.4.2 of the Declaration of Trust.

"**Conditions**" means the terms and conditions relating to the Certificates as set out in Schedule 2 to the Declaration of Trust (as the same may from time to time be modified in accordance with the provisions of the Declaration of Trust) as modified, with respect to any Certificate represented by a Global Certificate, by the provisions of such Global Certificate, and any reference in the Guarantee to a numbered "**Condition**" is to the corresponding numbered provision thereof.

"**Consolidated Coverage Ratio**" as of any date of determination means the ratio of (x) the aggregate amount of EBITDA for the period of the most recent four consecutive fiscal quarters ending at least 60 days prior to the date of such determination to (y) Consolidated Finance Cost for such four fiscal quarters; provided, however, that:

(1) if the Guarantor or any Restricted Subsidiary has Incurred any Indebtedness since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Indebtedness, or both, EBITDA and Consolidated Finance Cost for such period shall be calculated after giving effect on a pro forma basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period;

(2) if the Guarantor or any Restricted Subsidiary has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of such period or if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) on the date of the transaction giving rise to the need to calculate the Consolidated Coverage Ratio, EBITDA and Consolidated Finance Cost for such period shall be calculated on a pro forma basis as if such discharge had occurred on the first day of such period and as if the Guarantor or such Restricted Subsidiary had not earned the interest or profit income actually earned during such period in respect of cash or Temporary Cash Investments used to repay, repurchase, defease or otherwise discharge such Indebtedness;

(3) if since the beginning of such period the Guarantor or any Restricted Subsidiary shall have made any Asset Disposition, EBITDA for such period shall be reduced by an amount equal to EBITDA

(if positive) directly attributable to the assets which are the subject of such Asset Disposition for such period, or increased by an amount equal to EBITDA (if negative), directly attributable thereto for such period and Consolidated Finance Cost for such period shall be reduced by an amount equal to the Consolidated Finance Cost directly attributable to any Indebtedness of the Guarantor or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Guarantor and its continuing Restricted Subsidiaries in connection with such Asset Disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Finance Cost for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Guarantor and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale);

(4) if since the beginning of such period the Guarantor or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction requiring a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, EBITDA and Consolidated Finance Cost for such period shall be calculated after giving pro forma effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition had occurred on the first day of such period; and

(5) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Guarantor or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Disposition, any Investment or acquisition of assets that would have required an adjustment pursuant to clause (3) or (4) above if made by the Guarantor or a Restricted Subsidiary during such period, EBITDA and Consolidated Finance Cost for such period shall be calculated after giving pro forma effect thereto as if such Asset Disposition, Investment or acquisition had occurred on the first day of such period.

For purposes of this definition, whenever pro forma effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Finance Cost associated with any Indebtedness Incurred in connection therewith, the pro forma calculations shall be determined in good faith by a responsible financial or accounting Officer of the Guarantor. If any Indebtedness bears a floating rate of interest or profit and is being given pro forma effect, the interest or profit on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months). If any Indebtedness is incurred under a revolving credit facility and is being given pro forma effect, the interest on such Indebtedness shall be calculated based on the average daily balance of such Indebtedness for the four fiscal quarters subject to the pro forma calculation to the extent that such Indebtedness was incurred solely for working capital purposes.

"**Consolidated Finance Cost**" means, for any period, the total interest expense or finance cost of the Guarantor and its consolidated Restricted Subsidiaries, plus, to the extent not included in such total interest expense or finance cost, and to the extent incurred by the Guarantor or its Restricted Subsidiaries, without duplication:

(1) interest expense or other finance costs attributable to Capital Lease Obligations;

(2) amortisation of debt discount and debt issuance cost;

(3) capitalised interest or other finance costs;

(4) non-cash interest expense or finance costs;

(5) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing;

(6) net payments pursuant to Hedging Obligations;

(7) dividends accrued in respect of all Disqualified Stock of the Guarantor held by Persons other than the Guarantor or a Wholly Owned Subsidiary (other than dividends payable solely in Capital Stock (other than Disqualified Stock) of the Guarantor);

(8) interest or finance cost incurred in connection with Investments in discontinued operations;

(9) interest or finance cost accruing on any Indebtedness of any other Person to the extent such Indebtedness is Guaranteed by (or secured by the assets of) the Guarantor or any Restricted Subsidiary; and

(10) the cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest, finance cost or fees to any Person (other than the Guarantor) in connection with Indebtedness Incurred by such plan or trust.

"**Consolidated Net Income**" means, for any period, the net income of the Guarantor and its consolidated Subsidiaries; provided, however, that there shall not be included in such Consolidated Net Income:

(1) any net income (but not the loss) of any Person (other than the Guarantor) if such Person is not a Restricted Subsidiary, except that subject to the exclusion contained in clause (4) below, the Guarantor's equity of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Guarantor or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below);

(2) any net income (or loss) of any Person acquired by the Guarantor or a Subsidiary in a pooling of interests transaction (or any transaction accounted for in a manner similar to a pooling of interests) for any period prior to the date of such acquisition;

(3) solely for the purpose of determining the amount available for Restricted Payments under Clause (a)(3) and (b)(13) of Paragraph 2.2 (*Limitation on Restricted Payments*), any net income (but not the loss) of any Restricted Subsidiary if such Restricted Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly (other than any restriction permitted under Paragraph 2.3(a)(1), (2), (3), (5) and (8) (to the extent Clause (8) refers to Clauses (1), (2), (3) or (5))), to the Guarantor, except that subject to the exclusion contained in clause (4) below, the Guarantor's equity of any such Restricted Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Restricted Subsidiary during such period to the Guarantor or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to another Restricted Subsidiary, to the limitation contained in this clause);

(4) any gain (or loss) realised upon the sale or other disposition of any assets of the Guarantor, its consolidated Subsidiaries or any other Person (including pursuant to any sale-and-leaseback arrangement) which are not sold or otherwise disposed of in the ordinary course of business and any gain (or loss) realised upon the sale or other disposition of any Capital Stock of any Person;

(5) extraordinary gains or losses; and

(6) the cumulative effect of a change in accounting principles.

in each case, for such period. Notwithstanding the foregoing, for the purposes of Paragraph 2.2 (*Limitation on Restricted Payments*) only, there shall be excluded from Consolidated Net Income any repurchases, repayments or redemptions of Investments, proceeds realised on the sale of Investments or return of capital to the Guarantor or a Restricted Subsidiary to the extent such repurchases, repayments, redemptions, proceeds or returns increase the amount of Restricted Payments permitted under clause (a)(3)(D) of Paragraph 2.2 (*Limitation on Restricted Payments*).

"**Credit Agreement**" means any credit agreement or any agreement or arrangement having the commercial effect of either a borrowing or a drawing under a credit agreement to be entered into by the Guarantor or its Restricted Subsidiaries, together with all related documents thereto (including any Ijara agreements and Murabaha agreements which are not entered into for speculation, the term loans and revolving loans thereunder, any guarantees and security documents), as amended, extended, renewed, restated, supplemented or otherwise modified (in whole or in part, and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time, whether entered into in accordance with the principles of Sharia'ah or otherwise, including, without limitation, the Existing Credit Agreements, and any agreement (and related document) governing Indebtedness incurred to Refinance, in whole or in part, the borrowings, payment obligations and commitments then outstanding or permitted to be outstanding under such Credit Agreement or a successor Credit Agreement, whether by the same or any other lender or counterparty or group of lenders or counterparties, whether in accordance with the principles of Sharia'ah or otherwise.

"**Currency Agreement**" means any foreign exchange contract, currency swap agreement, cross currency profit rate swap agreement or other similar agreement with respect to currency values whether entered into in accordance with the principles of Sharia'ah or otherwise.

"**Current Assets**" means the aggregate amount of the Guarantor and its consolidated Subsidiaries' cash and cash equivalents, net accounts receivable, projects under construction, developed lands, prepaid expenses and short term investments.

"**Current Liabilities**" means the aggregate amount of the Guarantor and its consolidated Subsidiaries' obligations (other than contingent obligations) for the payment or repayment of money on demand or within a year from the date of computation, whether actual or contingent.

"**Current Ratio**" means Current Assets divided by Current Liabilities.

"**Dar Al-Arkan Event**" has the meaning given to it in Condition 10.2 (*Dar Al-Arkan Events*) under "*Terms and Conditions of the Certificates*".

"**Default**" means a Dar Al-Arkan Event or any event which is, or after notice or passage of time or both would be, a Dar Al-Arkan Event.

"**Disqualified Stock**" means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder) or upon the happening of any event:

(1) matures or is mandatorily redeemable (other than redeemable only for Capital Stock of such Person which is not itself Disqualified Stock) pursuant to a sinking fund obligation or otherwise;

(2) is convertible or exchangeable at the option of the holder for Indebtedness or Disqualified Stock; or

(3) is mandatorily redeemable or must be purchased upon the occurrence of certain events or otherwise, in whole or in part;

in each case on or prior to the first anniversary of the Stated Maturity of the Certificates; provided, however, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to purchase or redeem such Capital Stock upon the occurrence of an Asset Disposition or Change of Control occurring prior to the first anniversary of the Stated Maturity of the Certificates shall not constitute Disqualified Stock if:

(1) the Asset Sale or Change of Control provisions applicable to such Capital Stock are not more favourable to the holders of such Capital Stock than the terms applicable to the Certificates and contained in Paragraph 2.4 (*Limitation on Sales of Assets and Subsidiary Stock*) and "*Terms and Conditions of the Certificates—Repurchase of Certificates following a Change of Control*"; and

(2) any such requirement only becomes operative after compliance with such terms applicable to the Certificates, including the purchase of any Certificates tendered pursuant thereto.

The amount of any Disqualified Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Stock is to be determined; provided, however, that if such Disqualified Stock could not be required to be redeemed, repaid or repurchased at the time of such determination, the redemption, repayment or repurchase price will be the book value of such Disqualified Stock as reflected in the most recent financial statements of such Person.

"**Distribution Shortfall Restoration Amount**" has the meaning given to it in Condition 4.1 (*Summary of the Trust*) under "*Terms and Conditions of the Certificates*".

"**EBITDA**" for any period means the sum of Consolidated Net Income, plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) all imputed tax expense relating to income or profits (excluding implied property tax, social tax and value-added tax) of the Guarantor and its consolidated Restricted Subsidiaries;

(2) Consolidated Finance Cost;

(3) depreciation and amortisation expense of the Guarantor and its consolidated Restricted Subsidiaries (excluding amortisation expense attributable to a prepaid item that was paid in cash in a prior period); and

(4) all other non-cash charges of the Guarantor and its consolidated Restricted Subsidiaries (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash expenditures in any future period) less all non-cash items of income of the Guarantor and its consolidated Restricted Subsidiaries (other than accruals of revenue by the Guarantor and its consolidated Restricted Subsidiaries in the ordinary course of business);

in each case for such period. Notwithstanding the foregoing, the provision for taxes based on the income or profits of, and the depreciation and amortisation and non-cash charges of, a Restricted Subsidiary shall be added to Consolidated Net Income to compute EBITDA only to the extent (and in the same proportion, including by reason of minority interests) that the net income or loss of such Restricted Subsidiary was included in calculating Consolidated Net Income and only if a corresponding amount would be permitted at the date of determination to be dividended to the Guarantor by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to such Restricted Subsidiary or its stockholders.

"**Exchange Act**" means the US Securities Exchange Act of 1934.

"**Existing Credit Agreements**" means the SAR400 million Ijara facility entered into between the Al-Qasr Mall Company and domestic banks in January 2009, the SAR400 million term facility entered into between the Guarantor and a domestic bank in April 2009, the SAR500 million revolving facility entered into between the Guarantor and a domestic bank in October 2008, the SAR200 million revolving facility entered into between the Guarantor and a domestic bank in January 2008 and the SAR200 million revolving facility entered into between the Guarantor and a domestic bank in April 2008.

"**Existing Sukuk Certificate**" means any of the US$600,000,000 trust certificates due March 7, 2010 issued by DAAR International Sukuk Company, the US$1,000,000,000 trust certificates due July 16, 2012 issued by Dar Al-Arkan International Sukuk Company, and the SAR750,000,000 sukuk due April 15, 2014 issued by the Guarantor;

"**Extraordinary Resolution**" has the meaning given to it in the Declaration of Trust.

"**Fair Market Value**" means, with respect to any asset or property, the price which could be negotiated in an arm's length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction. Fair Market Value will be determined in good faith by the Board of Directors, whose determination will be conclusive and evidenced by a resolution of such Board of Directors. For purposes of determining the Fair Market Value of Capital Stock, the value of the Capital Stock of a Person shall be based upon such Person's property and assets, exclusive of goodwill or any similar Intangible asset.

"**Financial Statements**" means the Guarantor's audited financial statements for its financial years ended December 31, 2009, 2008 and 2007.

"**Government Obligation**" means direct obligations (or certificates or other instruments representing an ownership interest in such obligations) of the United States (including any agency or instrumentality thereof) issued in compliance with the principles of Shari'ah, for the payment of which the full faith and credit of such country or member state is pledged and which are not callable at the issuer's option.

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

"**Holder**" or "**Certificateholder**" means the Person in whose name a Certificate is registered on the Registrar's books.

"**IFRS**" means International Financial Reporting Standards as in effect from time to time.

"**Ijara Agreements**" means the ijara agreements to be entered into between the Investment Manager and Restricted Subsidiaries substantially in the form of Part A of Schedule 1 of the Investment Management Agreement, together with the related Sale and Purchase Agreements, Purchase Undertakings and Service Agency Agreements.

"**Incur**" means issue, assume, guarantee, incur or otherwise become liable for; provided, however, that any Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Person at the time it becomes a Restricted Subsidiary. The term "**Incurrence**" when used as a noun shall have a correlative meaning. Solely for purposes of determining compliance with Paragraph 2.1 (*Limitation on Indebtedness*):

(1) amortisation of debt discount or the accretion of principal with respect to a non-interest bearing or other discount security;

(2) the payment of regularly scheduled interest in the form of additional Indebtedness of the same instrument or the payment of regularly scheduled dividends on Capital Stock in the form of additional Capital Stock of the same class and with the same terms; and

(3) the obligation to pay a premium in respect of Indebtedness arising in connection with the issuance of a notice of redemption or the making of a mandatory offer to purchase such Indebtedness,

will not be deemed to be the Incurrence of Indebtedness.

"**Indebtedness**" means, with respect to any Person on any date of determination (without duplication):

(1) the principal in respect of (A) indebtedness of such Person for money borrowed and (B) indebtedness evidenced by notes, debentures, bonds, trust certificates or other similar instruments for the payment of which such Person is responsible or liable, including, in each case, any premium or profit on such indebtedness to the extent such premium or profit has become due and payable;

(2) all Capital Lease Obligations of such Person and all Attributable Debt in respect of Sale/ Leaseback Transactions entered into by such Person;

(3) all obligations of such Person issued or assumed as the deferred purchase price of property, assets or services, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding any accounts payable or other liability to trade creditors arising in the ordinary course of business);

(4) the amount of all payment obligations under any other transaction (including any Shari'ah compliant financing, purchase agreement, forward sale or forward purchase agreement, lease agreement, sale and sale back or sale and leaseback agreement) having the commercial effect of either a borrowing or a drawing under a credit facility;

(5) all obligations of such Person for the reimbursement of any obligor on any letter of credit, bankers' acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (1) through (3) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the tenth Business Day following payment on the letter of credit);

(6) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock of such Person;

(7) all obligations of the type referred to in clauses (1) through (6) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Indebtedness Guarantee as defined;

(8) all obligations of the type referred to in clauses (1) through (7) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the Fair Market Value of such property, assets or revenue and the amount of the obligation so secured; and

(9) to the extent not otherwise included in this definition, Hedging Obligations of such Person.

Notwithstanding the foregoing, for the avoidance of doubt, any indebtedness in respect of deposits made by potential or actual purchasers of real estate of the Guarantor in the ordinary course of its day to day real estate and development activities shall not constitute Indebtedness and in connection with the purchase by the Guarantor or any Restricted Subsidiary of any business, the term "Indebtedness" will exclude post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; provided, however, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above; provided, however, that in the case of Indebtedness sold at a discount, the amount of such Indebtedness at any time will be the accreted value thereof at such time.

"**Indebtedness Guarantee**" means, in relation to any Indebtedness of any person, any obligation of another person to pay such Indebtedness including (without limitation):

(i) any obligation to purchase such Indebtedness;

(ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(iv) any other agreement to be responsible for such Indebtedness.

"**Independent Qualified Party**" means an investment banking firm, accounting firm or appraisal firm of international standing; provided, however, that such firm is not an Affiliate of the Guarantor.

"**Interest Rate Agreement**" means any interest rate or profit rate swap agreement, interest rate or profit rate cap agreement or other financial agreement or arrangement with respect to exposure to interest rates or profit rates whether entered into in accordance with the principles of Shari'ah or otherwise.

"**Investment**" in any Person means any direct or indirect advance, loan (other than advances to suppliers in the ordinary course of business that are recorded as accounts receivable on the balance sheet of the lender) or other extensions of credit (including by way of guarantee or similar arrangement) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by such Person. If the Guarantor or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Guarantor or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time. The acquisition by the Guarantor or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Guarantor or such Restricted Subsidiary in such third Person at such time. Except as otherwise provided for herein, the amount of an Investment shall be its Fair Market Value at the time the Investment is made and without giving effect to subsequent changes in value.

For purposes of the definition of "Unrestricted Subsidiary", the definition of "Restricted Payment" and Paragraph 2.2 (*Limitation on Restricted Payments*):

(1) "**Investment**" shall include the portion (proportionate to the Guarantor's equity interest in such Subsidiary) of the Fair Market Value of the net assets of any Subsidiary of the Guarantor at the time that such Subsidiary is designated an Unrestricted Subsidiary; provided, however, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Guarantor shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary equal to an amount (if positive) equal to (A) the Guarantor's "Investment" in such Subsidiary at the time of such redesignation less (B) the portion (proportionate to the Guarantor's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time of such redesignation; and

(2) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer, in each case as determined in good faith by the Board of Directors.

"**Investment Grade**" means a rating of "AAA," "AA," "A" or "BBB" as modified by a "+" or "−" indication or an equivalent rating representing one of the four highest rating categories by S&P or any of its successors or assigns or a rating of "Aaa," or "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest Rating Categories, by Moody's or any of its successors or assigns or the equivalent ratings of any internationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Guarantor as having been substituted for S&P or Moody's or both, as the case may be.

"**Issue Date**" means February 18, 2010.

"**Legal Holiday**" means a Saturday, a Sunday or a day on which banking institutions are not required to be open in London and New York City.

"**Lien**" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"**Moody's**" means Moody's Investors Service and its affiliates.

"**Murabaha Agreements**" means the murabaha agreements to be entered into between the Investment Manager, Restricted Subsidiaries and Unicorn Capital Saudi Arabia substantially in the form of Part E of Schedule 1 of the Investment Management Agreement.

"**Net Available Cash**" from an Asset Disposition means cash payments received therefrom (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to such properties or assets or received in any other non-cash form), in each case net of:

(1) all legal, title and recording tax expenses, commissions and other fees and expenses incurred, and all Federal, state, provincial, foreign and local taxes required to be accrued as a liability under IFRS, as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon or other security agreement of any kind with respect to such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders in Restricted Subsidiaries as a result of such Asset Disposition;

(4) the deduction of appropriate amounts provided by the seller as a reserve, in accordance with IFRS, against any liabilities associated with the property or other assets disposed in such Asset Disposition and retained by the Guarantor or any Restricted Subsidiary after such Asset Disposition; and

(5) any portion of the purchase price from an Asset Disposition placed in escrow, whether as a reserve for adjustment of the purchase price, for satisfaction of indemnities in respect of such Asset Disposition or otherwise in connection with that Asset Disposition; provided, however, that upon the termination of that escrow, Net Available Cash will be increased by any portion of funds in the escrow that are released to the Guarantor or any Restricted Subsidiary.

"**Net Cash Proceeds**", with respect to any issuance or sale of Capital Stock or Indebtedness, means the cash proceeds of such issuance or sale net of attorneys' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"**Obligations**" means, with respect to any Indebtedness, all obligations for principal, premium, interest, penalties, fees, indemnifications, reimbursements and other amounts payable pursuant to the documentation governing such Indebtedness.

"**Officer**" means the Managing Director, General Manager, Chief Financial Officer or General Legal Counsel of the Guarantor.

"**Officer's Certificate**" means a certificate signed by one Officer.

"**Opinion of Counsel**" means a written opinion from legal counsel who is acceptable to the Issuer and the Delegate. The counsel may be an employee of or counsel to the Company, the Issuer or the Delegate.

"**Permitted Business**" means any business conducted or proposed to be conducted (as described in the Offering Memorandum) by the Guarantor and its Restricted Subsidiaries on the Issue Date and other businesses reasonably related or ancillary thereto.

"**Permitted Holders**" means (1) Yousef Abdullah Al Shelash, Hethloul Saleh Al Hethloul, Khalid Abdullah Al Shelash, Majed Abdul Rahman Al Kasem, Tariq Mohammed Ali Al Jarallah, Abdul Aziz Abdullah Al Shelash, Majed Roumi Soliman Al Roumi, Abdul Karim Hamad Al Babtain and Abdullatif Abdullah Al-Shalash; (2) with respect to each of the persons identified in clause (1), his parents, spouse and any of his or his spouse's relatives or descendants; (3) with respect the to each of the persons identified in clauses (1) and (2), any trust or estate in which such person collectively owns 50 per cent. or more of the total beneficial interests; or (4) with respect the to each of the persons identified in clauses (1) and (2), any corporation or other organisation in which such person are the owners, directly or indirectly, collectively of 50 per cent. or more of the equity interests.

"**Permitted Investment**" means an Investment by the Guarantor or any Restricted Subsidiary in:

(1) the Guarantor, a Restricted Subsidiary (including investments in Ijara and Murabaha contracts, between and among the Guarantor, Restricted Subsidiaries, including but not limited to those Ijara and Murabaha contracts existing on the Issue Date) or a Person that will, upon the making of such Investment, become a Restricted Subsidiary; provided, however, that the primary business of such Restricted Subsidiary is a Related Business; provided further, however, that Murabaha contracts may include a Person other than the Guarantor or a Restricted Subsidiary as a party to the extent required to effect the arrangements contemplated therein so long as there is no Investment in such Person;

(2) another Person if, as a result of such Investment, such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Guarantor or a Restricted Subsidiary; provided, however, that such Person's primary business is a Related Business;

(3) cash and Temporary Cash Investments;

(4) receivables owing to the Guarantor or any Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided, however, that such trade terms may include such concessionary trade terms as the Guarantor or any such Restricted Subsidiary deems reasonable under the circumstances;

(5) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) loans or advances to employees made in the ordinary course of business consistent with past practices of the Guarantor or such Restricted Subsidiary;

(7) stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Guarantor or any Restricted Subsidiary or in satisfaction of judgments;

(8) any Person to the extent such Investment represents the non-cash portion of the consideration received for (i) an Asset Disposition as permitted pursuant to Paragraph 2.4 (*Limitation on Sales of Assets and Subsidiary Stock*) or (ii) a disposition of assets not constituting an Asset Disposition;

(9) any Person where such Investment was acquired by the Guarantor or any of its Restricted Subsidiaries (a) in exchange for any other Investment or accounts receivable held by the Guarantor or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganisation or recapitalisation of the issuer of such other Investment or accounts receivable or (b) as a result of a foreclosure by the Guarantor or any of its Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(10) any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business by the Guarantor or any Restricted Subsidiary;

(11) any Person to the extent such Investments consist of Hedging Obligations otherwise permitted under clause (b)(6) of Paragraph 2.1 (*Limitation on Indebtedness*);

(12) any Person to the extent such Investment exists on the Issue Date, and any extension, modification or renewal of any such Investments existing on the Issue Date, but only to the extent not involving additional advances, contributions or other Investments of cash or other assets or other increases thereof (other than as a result of the accrual or accretion of interest or original issue discount or the issuance of pay-in-kind securities, in each case, pursuant to the terms of such Investment as in effect on the Issue Date); and

(13) the Certificates.

"**Permitted Liens**" means, with respect to any Person:

(1) pledges or deposits by such Person under worker's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of cash to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case Incurred in the ordinary course of business;

(2) Liens imposed by law, such as carriers', warehousemen's and mechanics' Liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings or other Liens arising out of judgments or awards against such Person with respect to which such Person shall then be proceeding with an appeal or other proceedings for review and Liens arising solely by virtue of any statutory or common law provision relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; provided, however, that (A) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Guarantor and (B) such deposit account is not intended by the Guarantor or any Restricted Subsidiary to provide collateral to the depository institution;

(3) Liens for property taxes not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings;

(4) Liens in favour of issuers of surety bonds or letters of credit issued pursuant to the request of and for the account of such Person in the ordinary course of its business; provided, however, that such letters of credit do not constitute Indebtedness;

(5) minor survey exceptions, minor encumbrances, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which were not Incurred in connection with Indebtedness and which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(6) Liens (including extensions and renewals thereof) upon real or personal property acquired after the Issue Date; provided that (a) such Lien is created solely for the purpose of securing Indebtedness Incurred under clause (b)(10) of Paragraph 2.1 (*Limitation on Indebtedness*) and such Lien is created prior to, at the time of or within 60 days after the later of the acquisition or the completion of construction, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100 per cent. of the purchase price or the cost of acquisition, development, construction or improvement of such real or personal property and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item;

(7) Liens to secure Indebtedness permitted under the provisions described in Paragraph 2.1(b)(1) (*Limitation on Indebtedness*);

(8) Liens existing on the Issue Date;

(9) Liens on property or shares of Capital Stock of another Person at the time such other Person becomes a Subsidiary of such Person; provided, however, that the Liens may not extend to any other property owned by such Person or any of its Restricted Subsidiaries (other than assets and property affixed or appurtenant thereto);

(10) Liens on property at the time such Person or any of its Subsidiaries acquires the property, including any acquisition by means of a merger or consolidation with or into such Person or a Subsidiary of such Person; provided, however, that the Liens may not extend to any other property owned by such Person or any of its Restricted Subsidiaries (other than assets and property affixed or appurtenant thereto);

(11) Liens securing Indebtedness or other obligations of a Subsidiary of such Person owing to such Person or a Restricted Subsidiary of such Person;

(12) Liens securing Hedging Obligations so long as such Hedging Obligations are permitted to be Incurred under the Guarantee;

(13) Liens to secure any Refinancing (or successive Refinancings) as a whole, or in part, of any Indebtedness secured by any Lien referred to in the foregoing clauses (6), (7), (8), (9), (10) or (14); provided, however, that:

(A) such new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

(B) the Indebtedness secured by such Lien at such time is not increased to any amount greater than the sum of (x) the outstanding principal amount or, if greater, committed amount of the Indebtedness described under clause (6), (7), (8), (9), (10) or (14) at the time the original Lien became a Permitted Lien and (y) an amount necessary to pay any fees and expenses, including premiums, related to such refinancing, refunding, extension, renewal or replacement; and

(14) Liens securing Indebtedness or other obligations, other than Relevant Indebtedness, of such Person or its Subsidiaries so long as, on the date of creation of such Liens, no Default has occurred and is continuing and the incurrence of such Lien would not result in the aggregate amount of Total Assets of the Guarantor and its Restricted Subsidiaries which are free of and not encumbered by or subject to any Lien (including any Permitted Liens) being less than 1.25 times the aggregate amount of Indebtedness that is not subject to any Lien or other Security Interest of the Guarantor and its Restricted Subsidiaries as determined by the Guarantor in good faith.

Notwithstanding the foregoing, "Permitted Liens" will not include any Lien described in clause (9) or (10) above to the extent such Lien applies to any Additional Assets acquired directly or indirectly from Net Available Cash pursuant to Paragraph 2.4 (*Limitation on Sale of Assets and Subsidiary Stock*). For purposes of this definition, the term "**Indebtedness**" shall be deemed to include interest on such Indebtedness.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government or any agency or political subdivision thereof or any other entity.

"**Purchase Undertaking**" means the purchase undertakings to be entered into by each Restricted Subsidiaries pursuant to each Ijara Agreement in favour of the Investment Manager substantially in the form of Part C of Schedule 1 of the Investment Management Agreement.

"**Rating Agencies**" means (i) S&P, (ii) Moody's and (iii) if S&P or Moody's or both shall not make a rating of the Certificates publicly available, an internationally recognised securities rating agency or agencies, as the case may be, selected by the Guarantor, which shall be substituted for S&P or Moody's or both, as the case may be.

"**Refinance**" means, in respect of any Indebtedness, to refinance, extend, renew, refund, repay, prepay, purchase, redeem, defease or retire, or to issue other Indebtedness in exchange or replacement for, such Indebtedness. "Refinanced" and "Refinancing" shall have correlative meanings.

"**Refinancing Indebtedness**" means Indebtedness that Refinances any Indebtedness of the Guarantor or any Restricted Subsidiary existing on the Issue Date or Incurred in compliance with the Guarantee, including Indebtedness that Refinances Refinancing Indebtedness; provided, however, that:

(1) such Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being Refinanced;

(2) such Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being Refinanced;

(3) such Refinancing Indebtedness has an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding (plus fees and expenses, including any premium and defeasance costs) under the Indebtedness being Refinanced; and

(4) if the Indebtedness being Refinanced is subordinated in right of payment to the Certificates, such Refinancing Indebtedness is subordinated in right of payment to the Certificates at least to the same extent as the Indebtedness being Refinanced;

provided further, however, that Refinancing Indebtedness shall not include (A) Indebtedness of a Subsidiary that Refinances Indebtedness of the Guarantor or (B) Indebtedness of the Guarantor or a Restricted Subsidiary that Refinances Indebtedness of an Unrestricted Subsidiary.

"**Related Business**" means any business in which the Guarantor and any of the Restricted Subsidiaries was engaged in on the Issue Date and any businesses related, ancillary or complementary to such business.

"**Relevant Indebtedness**" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities (including trust certificates, sukuk and any other instruments intended to be issued in accordance with the principles of Shari'ah) which for the time being are, or are intended to be, or are capable of being quoted, listed or dealt in or traded on any stock exchange or over the counter or other securities market.

"**Replacement Assets**" means properties and assets that replace the properties and assets that were the subject of an Asset Disposition or properties and assets that are, or will be, used in the Guarantor's business or in that of the Restricted Subsidiaries or any and all businesses that in the good faith judgment of the Board of Directors are Related Businesses, and, in each case, any capital expenditure relating thereto.

"**Required Defeasance Amount**" means the aggregate of all sums which would be required to be paid under the Sukuk Contracts required to be entered into in accordance with the Investment Management Agreement to ensure compliance with the Underlying Value Conditions, for the period from the date on which the relevant deposit is made into the defeasance trust in full, up to and including the Maturity Date.

"**Restricted Payment**" with respect to any Person means:

(1) the declaration or payment of any dividends or any other distributions of any sort in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving such Person) or similar payment to the direct or indirect holders of its Capital Stock (other than (A) dividends or distributions payable solely in its Capital Stock (other than Disqualified Stock), (B) dividends or distributions payable solely to the Guarantor or a Restricted Subsidiary and (C) pro rata dividends or other distributions made by a Subsidiary that is not a Wholly Owned Subsidiary to minority stockholders (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation));

(2) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Capital Stock of the Guarantor held by any Person (other than by a Restricted Subsidiary) or of any Capital Stock of a Restricted Subsidiary held by any Affiliate of the Guarantor (other than by a Restricted Subsidiary), including in connection with any merger or consolidation and including the exercise of any option to exchange any Capital Stock (other than into Capital Stock of the Guarantor that is not Disqualified Stock);

(3) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment of any Subordinated Obligations of the Guarantor (other than (A) from a Restricted Subsidiary or

(B) the purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of such purchase, repurchase, redemption, defeasance or other acquisition or retirement); or

(4) the making of any Investment (other than a Permitted Investment) in any Person.

"**Restricted Subsidiary**" means any Subsidiary of the Guarantor that is not an Unrestricted Subsidiary.

"**S&P**" means Standard & Poor's Ratings Services and its affiliates.

"**Sale and Purchase Agreement**" means the sale and purchase agreements to be entered into between the Investment Manager and Restricted Subsidiaries in connection with any Ijara Agreement substantially in the form of Part B of Schedule 1 of the Investment Management Agreement.

"**Sale/Leaseback Transaction**" means an arrangement relating to property owned by the Guarantor or a Restricted Subsidiary on the Issue Date or thereafter acquired by the Guarantor or a Restricted Subsidiary whereby the Guarantor or a Restricted Subsidiary transfers such property to a Person and the Guarantor or a Restricted Subsidiary leases it from such Person. Notwithstanding the foregoing, "Sale/Leaseback Transaction" will not include any transfers and/or leases between the Guarantor and a Restricted Subsidiary or between Restricted Subsidiaries entered into pursuant to the Investment Management Agreement.

"**SAR**" means the lawful currency of the Kingdom of Saudi Arabia.

"**SAR Equivalent**" means with respect to any monetary amount in a currency other than SAR, at any time for determination thereof, the amount of SAR obtained by converting such foreign currency involved in such computation into SAR at the spot rate for the purchase of SAR with the applicable foreign currency as published in The Wall Street Journal in the "Exchange Rates" column under the heading "Currency Trading" on the date two Business Days prior to such determination.

Except as described under Paragraph 2.1 (*Limitation on Indebtedness*), whenever it is necessary to determine whether the Guarantor has complied with any covenant in the Guarantee or a Default has occurred and an amount is expressed in a currency other than SAR, such amount will be treated as the SAR Equivalent determined as of the date such amount is initially determined in such currency.

"**SEC**" means the US Securities and Exchange Commission.

"**Security Interest**" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof, any sale with recourse against the seller or any affiliate of the seller, or any agreement to give any security interest) securing any obligation of any person.

"**Senior Indebtedness**" means with respect to any Person:

(1) Indebtedness of such Person, whether outstanding on the Issue Date or thereafter Incurred; and

(2) all other Obligations of such Person (including interest accruing on or after the filing of any petition in bankruptcy or for reorganisation relating to such Person whether or not post-filing interest is allowed in such proceeding) in respect of Indebtedness described in clause (1) above

unless, in the case of clauses (1) and (2), in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such Indebtedness or other Obligations are subordinate in right of payment to the Certificates or the Guarantee of such Person, as the case may be; provided, however, that Senior Indebtedness shall not include:

(1) any obligation of such Person to the Guarantor or any Subsidiary of the Guarantor;

(2) any liability for Federal, state, local or other taxes owed or owing by such Person;

(3) any accounts payable or other liability to trade creditors arising in the ordinary course of business;

(4) any Indebtedness or other Obligation of such Person which is subordinate or junior in any respect to any other Indebtedness or other Obligation of such Person; or

(5) that portion of any Indebtedness which at the time of Incurrence is Incurred in violation of the Guarantee.

For the avoidance of doubt, the Certificates shall constitute Senior Indebtedness.

"**Service Agency Agreement**" means the service agency agreements to be entered into between the Investment Manager and Restricted Subsidiaries in connection with any Ijara Agreement substantially in the form of Part D of Schedule 1 of the Investment Management Agreement.

"**Shareholders' Equity**" means, at any date, the capital, statutory reserves, general reserves, treasury stock and retained earnings of the Guarantor; and in addition, to the extent accounted for as equity in accordance with IFRS, the equity element with respect to any financial instrument.

"**Significant Subsidiary**" means any Restricted Subsidiary that would be a "Significant Subsidiary" of the Guarantor within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

"**Stated Maturity**" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"**Subordinated Obligation**" means, with respect to a Person, any Indebtedness of such Person (whether outstanding on the Issue Date or thereafter Incurred) which is subordinate or junior in right of payment to the Certificates or a Guarantee of such Person, as the case may be, pursuant to a written agreement to that effect.

"**Subsidiary**" means, with respect to any Person, any corporation, association, partnership or other business entity of which more than 50 per cent. of the total voting power of shares of Voting Stock is at the time owned or controlled, directly or indirectly, by:

(1) such Person;

(2) such Person and one or more Subsidiaries of such Person; or

(3) one or more Subsidiaries of such Person.

"**Sukuk Contracts**" means the Ijara Agreements (and related Sale and Purchase Agreements, Purchase Undertakings and Service Agency Agreements) and the Murabaha Agreements entered into between the Investment Manager and Restricted Subsidiaries from time to time.

"**Sukuk Contract Counterparties**" means the counterparties to the Sukuk Contracts (other than the Investment Manager).

"**Tax**" or "**Taxes**" means any present or future taxes, zakat, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld, or assessed by or on behalf of the Kingdom of Saudi Arabia or any political subdivision thereof or any authority therein or thereof having the power to tax.

"**Temporary Cash Investments**" means any of the following:

(1) any investment in direct obligations of the Kingdom of Saudi Arabia, a member of the European Union, the United States or any agency thereof or obligations guaranteed by the Kingdom of Saudi Arabia, a member of the European Union or the United States or any agency thereof;

(2) investments in demand and time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organised under the laws of the Kingdom of Saudi Arabia, a member of the European Union or the United States or any state thereof, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of $50.0 million (or the foreign currency equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognised statistical rating organisation;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank meeting the qualifications described in clause (2) above;

(4) investments in commercial paper, maturing not more than 90 days after the date of acquisition, issued by a corporation (other than an Affiliate of the Guarantor) organised and in existence under the laws of the Kingdom of Saudi Arabia, a member of the European Union or the United

States with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's Investors Service, Inc. or "A-1" (or higher) according to Standard & Poor's Ratings Group;

(5) investments in securities with maturities of six months or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the Kingdom of Saudi Arabia, a member of the European Union or the United States, or by any political subdivision or taxing authority thereof, and rated at least "A" by Standard & Poor's Ratings Group or "A" by Moody's Investors Service, Inc.; and

(6) investments in money market funds that invest substantially all their assets in securities of the types described in clauses (1) through (5) above.

"**Total Assets**" means, at any date, the total consolidated book value of all assets, plus accumulated depreciation and amortisation, of the Guarantor and its Subsidiaries, prepared in accordance with IFRS.

"**Total Liabilities**" means the aggregate of all consolidated Indebtedness of the Guarantor and its Subsidiaries and all other obligations of the Guarantor for the payment or repayment of money, whether present or future.

"**Underlying Value Conditions**" has the meaning given to such term in Condition 19 (*Definitions and Interpretations*) under "*Terms and Conditions of the Certificates*".

"**Unrestricted Subsidiary**" means:

(1) any Subsidiary of the Guarantor that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided below; and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors may designate any Subsidiary of the Guarantor (including any newly acquired or newly formed Subsidiary) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Capital Stock or Indebtedness of, or holds any Lien on any property of, the Guarantor or any Subsidiary of the Guarantor that is not a Subsidiary of the Subsidiary to be so designated; provided, however, that either (A) the Subsidiary to be so designated has total assets of $1,000 or less or (B) if such Subsidiary has assets greater than $1,000, such designation would be permitted under Paragraph 2.2 (*Limitation on Restricted Payments*); *provided, however*, that the Investment Manager and any Sukuk Contract Counterparty can never be designated to be an Unrestricted Subsidiary.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided, however, that immediately after giving effect to such designation (A) the Guarantor could Incur SAR1.00 of additional Indebtedness under clause (a) under Paragraph 2.1 (*Limitation on Indebtedness*) and (B) no Default shall have occurred and be continuing. Any such designation by the Board of Directors shall be evidenced to the Issuer and the Delegate by promptly filing with the Issuer and the Delegate a copy of the resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"**Value Restoration Amount**" has the meaning given to it in Condition 4.1 (*Summary of the Trust*) under "*Terms and Conditions of the Certificates*".

"**Voting Stock**" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof.

"**Wholly Owned Subsidiary**" means a Restricted Subsidiary all the Capital Stock of which (other than directors' qualifying shares) is owned, directly or indirectly, by the Guarantor or one or more other Wholly Owned Subsidiaries.

The Declaration of Trust

The Declaration of Trust to be entered into on the Closing Date between Dar Al-Arkan, the Issuer, the Trustee and the Delegate and is governed by English law.

Upon issue of the Global Certificates initially representing the Certificates, the Declaration of Trust shall constitute the Trust declared by the Trustee in relation to such Certificates.

The Trust Assets in respect of the Certificates shall comprise: (i) all of Dar Al-Arkan International Sukuk Company II's rights, title, interest and benefit, present and future, in, to and under the Sukuk Portfolio; (ii) all of Dar Al-Arkan International Sukuk Company II's rights, title, interest and benefit, present and future, in and to the Transaction Documents; (iii) all monies standing to the credit of the Transaction Account; and (iv) all proceeds of the foregoing.

Pursuant to the Declaration of Trust, the Trustee will, *inter alia*:

- hold the relevant Trust Assets on trust absolutely for the holders of the Certificates as beneficial tenants in common *pro rata* according to the face amount of Certificates held by each Certificateholder; and
- act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Declaration of Trust.

Under the Declaration of Trust, the Trustee will irrevocably and unconditionally appoint the Delegate to exercise all of the present and future duties, powers, trusts, authorities and discretions vested in the Trustee by the Declaration of Trust that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or a Potential Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, to exercise all of the rights (but not the obligations, liabilities, duties or covenants of the Trustee) of the Trustee under the Guarantee and any of the other Transaction Documents and make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Declaration of Trust. The appointment of such delegate is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

In addition to the Delegation of the relevant powers, certain powers under the Declaration of Trust have been vested solely in the Delegate, including, *inter alia*, the power to determine the occurrence of a Dissolution Event or a Potential Dissolution Event, the power to waive or authorise a breach of an obligation or determine that a Dissolution Event or Potential Dissolution Event shall not be treated as such, and the power to consent to certain types of amendments to any Transaction Document which in any such case, is not materially prejudicial to the interests of Certificateholders.

The Declaration of Trust specifies, *inter alia*, that:

(i) following the distribution of the proceeds of the Trust Assets to Certificateholders such that the Trust Assets have been exhausted in accordance with the Conditions and the Agency Agreement, no Certificateholder shall be entitled to proceed directly against the Trustee, the Delegate, the Issuer, the Investment Manager and/or Dar Al-Arkan in respect of the Trust Assets to enforce the performance of any of the provisions of the Declaration of Trust or any other Transaction Document. In particular, no Certificateholder shall be entitled to take any action which could result in the winding-up of the Trustee;

(ii) no Certificateholder shall be entitled to proceed directly against, or to provide instructions to the Trustee to pursue any claim against, the Issuer, the Trustee, the Investment Manager and/or Dar Al-Arkan arising under the Trust Assets or the Certificates or to enforce the performance of any provisions of any of the Transaction Documents or for any other reason unless: (A) (i) the Delegate has resigned its appointment in accordance with the terms of the Declaration of Trust and no successor or replacement has been appointed in its place (in accordance with the terms of the Declaration of Trust); or (ii) the Delegate having become bound so to proceed fails to do so within a reasonable period of becoming so bound and such failure is continuing; and (B) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against the Issuer, the Trustee, the Investment Manager or Dar Al-Arkan or to provide instructions to the Trustee to do so, as the case may be) holds at least 25 per cent. of the aggregate face amount of the Certificates then outstanding. Under no circumstances shall the Trustee, the Delegate or any Certificateholders have any right to cause the sale or other disposition of any of the Trust Assets, except pursuant to the terms of the Transaction Documents or under the Conditions and the sole right of the Trustee, the Delegate and the Certificateholders against the Issuer, the Investment Manager and/or Dar Al-Arkan shall be to enforce their respective obligations under the Transaction Documents to which they are party; and

(iii) neither the Trustee nor the Delegate shall be bound in any circumstances to take any action in relation to the Trust Assets or any Dissolution Event or take any action or other steps under the Conditions or any Transaction Document unless:

(a) the Delegate and/or the Trustee, as the case may be, is satisfied that it will be indemnified and/or secured and/or prefunded against all Liabilities which may be incurred in connection with such action or step and may demand prior to taking any such action that there be paid to it in advance such sums as it reasonably considers (without prejudice to any further demand) shall be sufficient so to indemnify it; and

(b) in the case of the Delegate only, directed or requested to do so by a Certificateholders' Direction.

Agency Agreement

Pursuant to a paying agency agreement governed by English law (the "**Agency Agreement**") to be entered into on the Closing Date between, amongst others, the Issuer, Dar Al-Arkan and the Principal Paying Agent, provision will be made for, *inter alia*, payment of all sums due in respect of the Certificates.

Costs Undertaking

Pursuant to a costs undertaking governed by English law (the "**Costs Undertaking**") to be granted by Dar Al-Arkan on the Closing Date in favour of (among others) the Issuer, the Delegate and the Agents, Dar Al-Arkan has undertaken to, *inter alia*, pay the costs and expenses of such agents and the Delegate, and to indemnify them in respect of losses incurred in performance of their obligations in connection with the Certificates.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxembourg or DTC (together, the "**Clearing Systems**") currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Investment Manager, the Principal Paying Agent, the Delegate nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Certificates held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-Entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the US Exchange Act. DTC holds securities that its participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in the Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**" and together with the Direct Participants, "**Participants**").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**Rules**"), DTC makes book-entry transfers of registered securities among Direct Participants on whose behalf it acts with respect to such securities accepted into DTC's book-entry settlement system ("**DTC Securities**"). The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Securities ("**Owners**") have accounts with respect to the DTC Securities similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Securities through Direct Participants or Indirect Participants will not possess registered Securities, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Securities.

Purchases of DTC Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Securities on DTC's records. The ownership interest of each actual purchaser of each DTC Security ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Securities, except in the event that use of the book-entry system for the DTC Securities is discontinued.

To facilitate subsequent transfers, all DTC Securities deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of DTC Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-Entry Ownership

The Issuer may make applications to Euroclear and/or Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of the Certificates to be represented by an Unrestricted Global Certificate. Each Unrestricted Global Certificate deposited with a common depositary for, and registered in the name of, a nominee of Euroclear and/or Clearstream, Luxembourg will have an ISIN and a Common Code.

The Issuer, and a relevant US agent appointed for such purpose that is an eligible DTC participant, may make application to DTC for acceptance in its book-entry settlement system of the Certificates represented by a Restricted Global Certificate. Each such Restricted Global Certificate will have a CUSIP number. Each Restricted Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under "*Subscription and Sale and Transfer and Selling Restrictions—Transfer Restrictions*".

In the case of Certificates to be cleared through the facilities of DTC, the Custodian, with whom the Restricted Global Certificate is deposited, and DTC, will electronically record the nominal amount of the Restricted Certificates held within the DTC system. Investors may hold their beneficial interests in a Restricted Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organizations which are participants in such system.

Payments of dissolution distribution amounts and periodic distribution amounts in respect of, the Restricted Global Certificate registered in the name of DTC's nominee will be to, or to the order of, its nominee as the registered owner of the Restricted Global Certificate. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the Restricted Global Certificate as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of beneficial interests in the Restricted Global Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. Neither the Issuer nor the

Investment Manager nor the Principal Paying Agent nor the Delegate nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating, to or payments made on account of, ownership interests in any Restricted Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Certificates will initially be in the form of an Unrestricted Global Certificate and/or a Restricted Global Certificate.

Payments through DTC

Payments in US dollars of dissolution distribution amounts and periodic distribution amounts in respect of a Restricted Global Certificate registered in the name of a nominee of DTC will be made to the order of such nominee as the registered holder of such Certificate.

Transfers of Certificates

Transfers of interests in Global Certificates within Euroclear, Clearstream, Luxembourg and DTC will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Restricted Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Restricted Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Beneficial interests in an Unrestricted Global Certificate may only be held through Euroclear or Clearstream, Luxembourg. In the case of Certificates to be cleared through Euroclear, Clearstream, Luxembourg and/or DTC, transfers may be made at any time by a holder of an interest in an Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through a Restricted Global Certificate upon delivery to any Transfer Agent if a certificate setting forth compliance with Rule 144A and that the transferor has a reasonable belief that the transferee is a QIB that is also a QP. Any such transfer of the Certificates represented by such Unrestricted Global Certificate will only be made upon request through Euroclear or Clearstream, Luxembourg by the holder of an interest in the Unrestricted Global Certificate to the Registrar of details of that account at DTC to be credited with the relevant interest in the Restricted Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through an Unrestricted Global Certificate will only be made upon delivery to any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear or Clearstream, Luxembourg, as the case may be, and DTC to be credited and debited, respectively, with an interest in each relevant Global Certificate.

Subject to compliance with the transfer restrictions applicable to the Certificates described above and under "*Subscription and Sale and Transfer and Selling Restrictions—Transfer Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the relevant Paying Agent.

After the Closing Date, transfers of Certificates between accountholders in Euroclear and/or Clearstream, Luxembourg and transfers of Certificates between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers. However, it is expected that delivery of the Certificates pursuant to sales made under this Offering Memorandum will be made against payment thereof on the Closing Date, which is the fourth business day following the date of the initial trade (T+4). See "*Subscription and Sale and Transfer and Selling Restrictions*".

Cross-market transfers between accountholders in Euroclear or Clearstream, Luxembourg and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant Global Certificates will be effected through the relevant Paying Agent, the Custodian, the relevant Registrar and any applicable Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Certificates, see "*Subscription and Sale and Transfer and Selling Restrictions—Transfer Restrictions*".

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer, nor the Delegate nor the Principal Paying Agent nor any Transfer Agent nor any other party to the Agency Agreement will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Certificates represented by the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial interests.

While the Restricted Global Certificate is lodged with DTC or the Custodian, Restricted Certificates represented by Definitive Certificates will not be eligible for clearing or settlement through Euroclear, Clearstream, Luxembourg or DTC.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Joint Lead Managers have, in a subscription agreement dated February 12, 2010 (the "**Subscription Agreement**"), agreed with the Issuer, Dar Al-Arkan and the Investment Manager, subject to the satisfaction of certain conditions contained therein and on a several basis, to subscribe and pay for the Certificates at their issue price of 99.058% of the face amount of the Certificates in the amount per Joint Lead Manager set forth opposite its name below:

Joint Lead Managers	Aggregate Face Amount of Certificates
Deutsche Bank Securities Inc.	US$144,000,000
Goldman Sachs International	US$180,000,000
Unicorn Investment Bank B.S.C.	US$126,000,000
Total	US$450,000,000

In accordance with the terms of the Subscription Agreement, the Issuer has agreed to pay the Joint Lead Managers certain commissions for acting in such capacity. In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Certificates. In addition, the Issuer, the Investment Manager and Dar Al-Arkan have agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Certificates. The Subscription Agreement entitles the Joint Lead Managers to terminate the agreement to subscribe for Certificates in certain circumstances prior to payment for such Certificates being made to the Issuer.

Certain of the Joint Lead Managers and their respective affiliates have, in the past, performed investment banking and advisory services for, and provided credit facilities to, Dar Al-Arkan for which they have received customary fees and expenses. Each of the Joint Lead Managers and their respective affiliates may, from time to time, engage in further transactions with, and perform services for, the Issuer and Dar Al-Arkan in the ordinary course of their respective businesses.

In connection with the offering of the Certificates, Goldman Sachs International has provided credit ratings advisory services to Dar Al-Arkan.

It is expected that delivery of the Certificates will be made against payment therefor on the Closing Date, which is the fourth business day following the date of the initial trade (T+4). Trades in the secondary market are generally required to settle within three business days (T+3), unless parties to the trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Certificates on the day of pricing will be required by virtue of the fact the Certificates will settle in four business days (T+4), to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Certificates who wish to trade the Certificates on the date of pricing should consult their own advisor.

Transfer Restrictions

As a result of the following restrictions, purchasers of Certificates are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of the Certificates.

Each purchaser of the Certificates within the United States, by accepting delivery of this Offering Memorandum, will be deemed to have represented, agreed and acknowledged that:

(1) It is (a) a QIB that is also a QP, (b) not a broker-dealer which owns and invests on a discretionary basis less than U.S.$25 million in securities of unaffiliated issuers, (c) not a participant-directed employee plan, such as a 401(k) plan, (d) acquiring such Certificates for its own account or for the account of a QIB that is also a QP, (e) not formed for the purpose of investing in the Certificates or the Issuer and (f) aware, and each beneficial owner of such Certificates has been advised, that the sale of such Certificates to it is being made in reliance on Rule 144A.

(2) It will (a) along with each account for which it is purchasing, hold and transfer beneficial interests in the Certificates in a face amount that is not less than U.S.$100,000 and (b) provide notice of these transfer restrictions to any subsequent transferees. In addition, it understands that the Issuer may receive a list of participants holding positions in the Issuer's securities from one or more book-entry depositories.

(3) It understands that such Certificates have not been and will not be registered under the US Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB and that is also a QP purchasing for its own account or for the account of a QIB that is also a QP or (b) to a non-US person within the meaning of Regulation S in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(4) It understands that the Issuer has the power to compel any beneficial owner of such Certificates that is a U.S. person and is not both a QIB and a QP to sell its interests in such Certificates, or may sell such interest on behalf of such owner. The Issuer has the right to refuse to honor the transfer of an interest in such Certificates to a U.S. person that is not both a QIB and a QP.

(5) It understands that such Certificates, unless otherwise agreed between the Issuer and the Registrar in accordance with applicable law, will bear a legend to the following effect:

THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "**US SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE US SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE US SECURITIES ACT (A "QIB") THAT IS ALSO A QUALIFIED PURCHASER (A "QP") WITHIN THE MEANING OF SECTION 2(A)(51) OF THE US INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "US INVESTMENT COMPANY ACT"), PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB THAT IS ALSO A QP WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE US SECURITIES ACT, OR (2) TO NON-U.S. PERSONS IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE US SECURITIES ACT ("**REGULATION S**"), AND IN EACH CASE IN AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN U.S.$100,000 FACE AMOUNT OF CERTIFICATES AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. TRANSFERS IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER OF THIS CERTIFICATE, THE TRUSTEE OR ANY INTERMEDIARY. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE US SECURITIES ACT FOR RESALES OF THIS CERTIFICATE.

EACH BENEFICIAL OWNER HEREOF REPRESENTS THAT (1) IT IS A QIB THAT IS ALSO A QP; (2) IT IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS; (3) IT IS NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(k) PLAN; (4) IT IS HOLDING THIS CERTIFICATE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs EACH OF WHICH IS ALSO A QP; (5) IT WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER OR THIS CERTIFICATE; (6) IT, AND EACH ACCOUNT FOR WHICH IT HOLDS CERTIFICATES, WILL HOLD AND TRANSFER AT LEAST U.S.$100,000 IN FACE AMOUNT OF CERTIFICATES; (7) IT UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES; AND (8) IT WILL PROVIDE NOTICE OF THE FOREGOING TRANSFER RESTRICTIONS TO ITS SUBSEQUENT TRANSFEREES. THE BENEFICIAL OWNER HEREOF HEREBY ACKNOWLEDGES THAT IF AT ANY TIME WHILE IT HOLDS AN INTEREST IN THIS CERTIFICATE IT IS

A PERSON WHO IS NOT A QIB THAT IS ALSO A QP, THE ISSUER MAY (A) REQUIRE IT TO SELL ITS INTEREST IN THIS CERTIFICATE TO A PERSON (I) WHO IS A QIB WHO IS ALSO A QP AND WHO IS OTHERWISE QUALIFIED TO PURCHASE THIS CERTIFICATE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR (II) TO A NON-U.S. PERSON PURCHASING THIS CERTIFICATE IN AN OFFSHORE TRANSACTION PURSUANT TO REGULATION S OR (B) REQUIRE THE BENEFICIAL OWNER TO SELL ITS INTEREST IN THIS CERTIFICATE TO THE ISSUER OR AN AFFILIATE OF THE ISSUER OR TRANSFER ITS INTEREST IN THIS CERTIFICATE TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE ISSUER AT A PRICE EQUAL TO THE LESSER OF (X) THE PURCHASE PRICE PAID THEREFOR BY THE BENEFICIAL OWNER, (Y) 100 PER CENT. OF THE FACE AMOUNT THEREOF OR (Z) THE FAIR MARKET VALUE THEREOF. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF AN INTEREST IN THIS CERTIFICATE TO A US PERSON WHO IS NOT BOTH A QIB AND A QP. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT.

THE ISSUER MAY COMPEL EACH BENEFICIAL HOLDER OF THIS CERTIFICATE TO CERTIFY PERIODICALLY THAT SUCH HOLDER IS A QIB AND A QP.

(6) It acknowledges that the Issuer, the Registrar, the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any acknowledgments, representations or agreements deemed to have been made by it by its purchase of Certificates is no longer accurate, it shall promptly notify the Issuer, the Registrar and the Joint Lead Managers. If it is acquiring any Certificates for the account of one or more QIBs that are also QPs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

(7) It understands that the Certificates offered in the United States will be represented by the Restricted Global Certificate. Before any interest in the Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Certificates may be relying on the exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A.

Each purchaser of the Certificates outside the United States, by accepting delivery of this Offering Memorandum, will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time such Certificates are purchased will be, the beneficial owner of such Certificates and (a) it is a non-US person within the meaning of Regulation S and it is located outside the United States, (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate and (c) it will hold and transfer beneficial interests in the Certificates in a face amount that is not less than U.S.$100,000.

(2) It understands that such Certificates have not been and will not be registered under the US Securities Act and it will not offer, sell, pledge or otherwise transfer such Certificates except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a QIB that is also a QP purchasing for its own account or for the account of a QIB that is also a QP or (b) to a non-US person within the meaing of Regulation S in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(3) It understands that the Certificates offered in reliance on Regulation S will be evidenced by an Unrestricted Certificate. Before any interest in an Unrestricted Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Restricted Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

(4) It acknowledges that the Issuer, the Registrar, the Joint Lead Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations

and agreements and agree that, if any of the acknowledgments, representations or agreements deemed to have been made by it by its purchase of Certificates is no longer accurate, it shall promptly notify the Issuer, the Registrar and the Joint Lead Managers. If it is acquiring any Certificates as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the above acknowledgments, representations and agreements on behalf of each account.

Selling Restrictions

The minimum aggregate face amount of the Certificates which may be purchased is US$100,000.

United States

The offer and sale of the Certificates have not been and will not be registered under the US Securities Act and the Issuer is not and will not be registered under the Investment Company Act. Accordingly, the Certificates may not be offered or sold within the United States except pursuant to certain exceptions.

The Certificates are being offered and sold outside of the United States to non-US persons within the meaning of, and in accordance with, Regulation S. The Certificates are being offered and sold within the United States only to QIBs that are also QPs in transactions exempt from or not subject to the registration requirements of US Securities Act. The Subscription Agreement provides that the Joint Lead Managers may directly or through their respective US broker-dealer affiliates arrange for the offer and resale of the Certificates within the United States only to QIBs that are also QPs in reliance on Rule 144A and each such purchaser of Certificates is hereby notified that the Joint Lead Managers may be relying on the exemption from the registration requirements of the US Securities Act provided by Rule 144A. To the extent that the Issuer and Dar Al-Arkan are not required to file periodic reports under Sections 13 or 15 of the US Exchange Act, nor are they exempt from such reporting pursuant to Rule 12g3-2(b) thereunder, the Issuer and Dar Al-Arkan have agreed to furnish to holders of Certificates and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

In addition, until 40 days after the commencement of the offering of the Certificates, an offer or sale of Certificates within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

Cayman Islands

Each Joint Lead Manager has represented and agreed that no invitation or offer to subscribe for the Certificates has been or will be made to the public of the Cayman Islands.

Kingdom of Saudi Arabia

Any investor in the Kingdom of Saudi Arabia (a "**Saudi Investor**") who acquires the Certificates pursuant to the offering should note that the offer of Certificates is being made as a private placement by way of an "offer restricted to sophisticated investors" pursuant to Article 10 of the "Offer of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 20/08/1424H (corresponding to 04/10/2004G), as amended (the "**Offers of Securities Regulations**").

Each of the Joint Lead Managers has represented and agreed that the Certificates may be only offered to sophisticated investors as defined in the Offers of Securities Regulations, being any of the following persons: (a) authorized persons (being persons authorized by the Capital Market Authority to carry on securities business in the Kingdom of Saudi Arabia) acting for their own account; (b) clients of a person authorized by the Capital Market Authority to conduct managing activities provided that the offer of the Certificates to them is made through the authorized person, all relevant communications are made through the authorized person and the authorized person has been engaged as an investment manager on terms which enable it to make decisions concerning the acceptance of private placement offers of the Certificates on the client's behalf without reference to the client; (c) the government of the Kingdom of Saudi Arabia, any supranational authority recognized by the Capital Market Authority, the Saudi Stock Exchange and any other stock exchange recognized by the Capital Market Authority or the Depositary Centre; (d) institutions (being: (i) any company which owns, or which is a member of a group which owns, net assets of not less than SAR50 million; (ii) any unincorporated body, partnership or other organization which has net assets of not less than 50 million Saudi Riyals; or (iii) any person ("A") whilst acting in the capacity of director, officer or employee of a person ("B") falling within sub-paragraphs (i) or (ii) above where A is responsible for B undertaking any securities activity) acting for their own account; (e) professional investors (being any natural person who fulfills at least two of the following criteria: (i) he has carried out at least 10 transactions per quarter over the previous four quarters of a minimum total amount of SAR40 million on securities markets; (ii) the size of his securities portfolio exceeds SAR10 million; or (iii) he works or has worked for one or more year in the financial sector in a professional position which requires knowledge of securities investment); or (f) any other person prescribed by the Capital Market Authority. By accepting this document and other information relating to the offering of the Certificates, each recipient represents that he is a "sophisticated investor" for the purpose of the Offers of Securities Regulations.

The offer of the Certificates in the Kingdom of Saudi Arabia shall not therefore constitute a "public offer" pursuant to the Offers of Securities Regulations, but the Certificates will be subject in the Kingdom of Saudi Arabia to the following restrictions on secondary market activity pursuant to Article 17 of the Offers of Securities Regulations:

(a) A Saudi Investor (the "**transferor**") who has acquired the Certificates pursuant to the private placement may not offer or sell the Certificates to any person (referred to as a "**transferee**") unless the offer or sale is made through an authorized person and where: (i) the price to be paid by the transferee for such Certificates equals or exceeds SAR1 million; (ii) the securities are offered to a "sophisticated investor" for purposes of the Offers of Securities Regulations; or (iii) the securities are being offered or sold in such other circumstances as the Capital Market Authority may prescribe for these purposes.

(b) If the provisions of paragraph (a)(i) above cannot be fulfilled because the price of the Certificates being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Certificates to the transferee if their purchase price during the period of the original private placement was equal to or exceeded SAR1 million.

(c) If the provisions of paragraph (b) above cannot be fulfilled, the transferor may offer or sell Certificates if he sells his entire holding of Certificates to one transferee.

(d) The provisions of paragraphs (a), (b) and (c) above shall apply to all offers and sales of the Certificates by any subsequent transferees of the Certificates.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Each Joint Lead Manager has acknowledged that the information contained in this Offering Memorandum does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law 8 of 1986 (as amended)) or otherwise and is not intended to be a public offer and the information contained in this Offering Memorandum is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the United Arab Emirates.

Dubai International Financial Centre

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Certificates to any person in the Dubai International Financial Centre unless such offer is:

(a) deemed to be an "Exempt Offer" in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the "**DFSA**"); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

Kingdom of Bahrain

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer any Certificates to the Public (as defined in Articles 142-146 of the Commercial Companies Law (decree Law No. 21/2001 of Bahrain)) in Bahrain.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than: (i) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public c within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold and that it will not offer or sell any Certificates or cause such Certificates to be made the subject of an invitation for subscription or purchase, nor will it circulate or distribute this Offering Memorandum or any other document or material in connection with the offer or sale or invitation for subscription or purchase of the Certificates, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the SFA; (b) to a relevant person, or any person pursuant to Section 275(1 A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (c) pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Note:

Where Certificates are subscribed or purchased under Section 275 by a relevant person, which is:

(a) a corporation (which is not an accredited investor) (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 except:

(i) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of notes or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

(ii) where no consideration is or will be given for the transfer; or

(iii) where the transfer is by operation of law.

Malaysia

Each Lead Manager has represented and agreed that:

(a) the Offering Memorandum has not been registered as a prospectus with the Securities Commission of Malaysia (the "**SC**") under the Capital Markets and Services Act 2007 of Malaysia. While a copy of this Offering Memorandum will be deposited with the SC, the SC takes no responsibility for its content; and

(b) accordingly, the Certificates have not been and will not be issued, offered for subscription or purchase, sold or delivered, nor will any invitation to subscribe for or purchase the Certificates be made, directly or indirectly, nor may this Offering Memorandum, any application for the Certificates or any document or other material in connection with this offering, this Offering Memorandum or the Certificates be circulated or distributed in Malaysia, other than to persons falling within Schedule 6 (paragraph 11), Schedule 7 (paragraph 11), Schedule 8 (paragraph 11(f)) and Schedule 9 (paragraph 8) of the Capital Markets and Services Act 2007 of Malaysia (being corporations with total net assets exceeding ten million ringgit or its equivalent in foreign currencies based on the last audited accounts), subject to any law, order, regulation, or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Joint Lead Managers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

State of Qatar

Each of the Joint Lead Managers has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, any Certificates in the State of Qatar, except: (a) in compliance with all applicable laws and regulations of the State of Qatar; and (b) through persons or corporate entities authorized and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

State of Brunei Darussalam

This Offering Memorandum is not an offer to sell or a solicitation of an offer to buy the Certificates made to the public in the State of Brunei Darussalam. This Offering Memorandum may not be distributed or redistributed to and may not be relied upon or used by any person in the State of Brunei Darussalam.

Switzerland

This Offering Memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the Issuer has not and will not register with the Swiss Federal Banking Commission ("**SFBC**") as a foreign collective investment scheme. This Memorandum has therefore not been approved or disapproved by the SFBC. As a result, an investor in the Certificates does not benefit from the specific investor protection and/or supervision by the SBFC afforded under the Federal Act on Collective Investment Schemes and its implementing ordinances. Each Joint Lead Manager has acknowledged and agreed that any offer or sale must therefore be in strict compliance with the Swiss law and in particular with the rules of the Federal Act on Collective Investment Schemes, its implementing ordinances and the circular 03/1 of the SBFC on public solicitation.

Accordingly, each Joint Lead Manager has acknowledged and agreed that the Certificates will not be offered, promoted, sold or distributed to the public in or from Switzerland, but only to qualified investors in accordance with the Federal Act on Collective Investment Schemes and its implementing ordinances.

This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person. The Offering Memorandum may only be used by those persons to whom it has been handed out in connection with the offer described therein and may neither be copied or directly nor indirectly be distributed or made available to other persons without express consent of the Issuer.

ERISA and other Employee Benefit Plans

By its purchase of any Certificates, or any interest therein, each original or subsequent purchaser or transferee of a Certificate will be deemed to have represented and agreed that, with respect to the acquisition, holding and disposition of such Certificates, or any interest therein, (1) either (A) it is not, and is not acting on behalf of (and for so long as it holds the Certificates (or any interest therein) will not be, or be acting on behalf of), an employee benefit plan (as defined in Section 3(3) of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**")) subject to the provisions of part 4 of subtitle B of Title I of ERISA, a plan to which Section 4975 of the US Internal Revenue Code of 1986, as amended (the "**Code**"), applies, or any entity whose underlying assets include "plan assets" by reason of such an employee benefit plan's and/or plan's investment in such entity (each, a "**Benefit Plan Investor**") or a governmental, church or non-US plan which is subject to any federal, state, local, non-US or other laws or regulations that are substantially similar to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code ("**Similar Laws**") and/or laws or regulations that provide that the assets of the Issuer could be deemed to include "plan assets" of such plan, and no part of the assets used by it to acquire or hold such Certificates or any interest therein constitutes the assets of such Benefit Plan Investor or such plan, or (B) it is, or is acting on behalf of, a governmental, church or non-US plan, and the acquisition, holding or disposition of such Certificates does not and will not result in a non-exempt violation of any Similar Laws, and will not subject the Issuer to any laws, rules or regulations applicable to such plan solely as a result of the investment in the issuer by such plan; and (2) it will not sell or otherwise transfer such Certificates or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such Certificates and any interest therein.

The purchaser and any fiduciary causing it to acquire an interest in any Certificates agrees to indemnify and hold harmless the Issuer, each Joint Lead Manager, the Registrar, each Transfer Agent, and the Trustee, and their respective affiliates, from and against any cost, damage or loss incurred by any of them as a result of any of the foregoing representations and agreements being or becoming false.

Any purported acquisition or transfer of any Certificate or beneficial interest therein to an acquirer or transferee that does not comply with the foregoing requirements shall be null and void *ab initio*.

The purchaser understands and agrees that a legend in substantially the following form will be placed on each Certificate:

> BY ACCEPTING THIS CERTIFICATE (OR AN INTEREST IN THE CERTIFICATES REPRESENTED HEREBY) EACH ACQUIRER OR TRANSFEREE WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD IT HOLDS THIS CERTIFICATE OR ANY INTEREST HEREIN (1) EITHER (A) IT IS NOT, AND IT IS NOT ACTING ON BEHALF OF, AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**")), SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED ("**CODE**"), APPLIES, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN'S AND/OR PLAN'S INVESTMENT IN SUCH ENTITY (EACH, A "**BENEFIT PLAN INVESTOR**") OR A GOVERNMENTAL, CHURCH OR NON-US PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-US OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY OR THE PROHIBITED TRANSACTION PROVISIONS OF ERISA AND/OR SECTION 4975 OF THE CODE ("**SIMILAR LAWS**") AND/OR LAWS OR REGULATIONS THAT PROVIDE THAT THE ASSETS OF THE ISSUER COULD BE DEEMED TO INCLUDE "PLAN ASSETS" OF SUCH PLAN, AND NO

PART OF THE ASSETS TO BE USED BY IT TO ACQUIRE OR HOLD THIS CERTIFICATE OR ANY INTEREST HEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH A GOVERNMENTAL, CHURCH OR NON-US PLAN; OR (B) IT IS, OR IS ACTING ON BEHALF OF A GOVERNMENTAL, CHURCH OR NON-us PLAN, AND SUCH ACQUISITION DOES NOT AND WILL NOT RESULT IN A NON-EXEMPT VIOLATION OF ANY SIMILAR LAWs AND WILL NOT SUBJECT THE ISSUER TO ANY LAWS, RULES OR REGULATIONS APPLICABLE TO SUCH PLAN SOLELY AS A RESULT OF THE INVESTMENT IN THE ISSUER BY SUCH PLAN; AND (2) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS CERTIFICATE OR ANY INTEREST HEREIN OTHERWISE THAN TO AN ACQUIRER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS ACQUISITION, HOLDING AND DISPOSITION of THIS CERTIFICATE. NO ACQUISITION BY OR TRANSFER TO A BENEFIT PLAN INVESTOR OF THIS CERTIFICATE, OR ANY INTEREST HEREIN, WILL BE EFFECTIVE, AND NONE OF THE ISSUER, ANY JOINT LEAD MANAGER, THE REGISTRAR, ANY TRANSFER AGENT OR THE TRUSTEE WILL RECOGNIZE ANY SUCH ACQUISITION OR TRANSFER. IN THE EVENT THAT THE ISSUER DETERMINES THAT THIS CERTIFICATE IS HELD BY A BENEFIT PLAN INVESTOR, THE ISSUER MAY CAUSE A SALE OR TRANSFER IN THE MANNER DESCRIBED IN THE OFFERING MEMORANDUM.

General

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of the Certificates, or possession or distribution of this Offering Memorandum, or any other offering material in any country or jurisdiction where action for that purpose is required.

CERTAIN TAX AND ZAKAT CONSIDERATIONS

The following is a general description of certain tax and Zakat considerations relating to the Certificates. It does not purport to be a complete analysis of all tax and Zakat considerations relating to the Certificates nor does it address the considerations that are dependent on individual circumstances. Prospective purchasers of Certificates should consult their own tax advisers to determine the tax consequences for them of acquiring, holding and disposing of any Certificates and receiving distributions, payments of dissolution distribution amounts, profit and/or other amounts under the Certificates and the consequences of such actions under the applicable tax and Zakat laws and regulations. This summary is based upon the laws and regulations in effect in the Cayman Islands, the Kingdom of Saudi Arabia and the United States of America at the date of this Offering Memorandum and is subject to any change in such laws and regulations that may take effect after such date. Prospective purchasers should note that neither the Issuer, Dar Al-Arkan nor any other person are obliged to update or otherwise revise this section for any subsequent changes or modifications to the applicable tax regulations.

Certain Cayman Islands Tax Considerations

The following is a discussion of certain Cayman Islands income tax consequences of an investment in the Certificates. The discussion is a general summary of the present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Payment of all amounts due on the Certificates will not be subject to taxation in the Cayman Islands and no withholding will be required under Cayman Islands law on the payment of any such amounts to any holder of the Certificates, not will gains derived from the disposal of the Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the Certificates. An instrument of transfer in respect of a Certificate is stampable if executed in or brought into the Cayman Islands.

Certain Saudi Arabian Taxation and Zakat Considerations

Below is a summary of certain Saudi Arabian tax and Zakat considerations regarding an investment in the Certificates and the related structure. The discussion is a general summary of the present law, which is subject to prospective and retroactive change. The summary below is not intended as tax or Zakat advice, does not consider any investor's particular circumstances and does not consider tax or Zakat consequences other than those arising under Saudi Arabian law.

Zakat considerations in connection with the transaction

Zakat considerations for Sukuk Contract Counterparties

Zakat (a religious-based tax) at a rate of 2.5% will be assessed on the Zakat base of the Sukuk Contract Counterparties attributable to Saudi Arabian and other GCC shareholders on the basis of the audited financial statements.

The Zakat base of the Sukuk Contract Counterparties will be calculated by adding together the long-term financial liabilities and other long-term obligations of a Sukuk Contract Counterparty and then deducting its long-term investments and fixed assets. Accordingly, in the case of the Sukuk Contract Counterparties, the Zakat liability will be dependent upon the amount of financing received and the amount of its long term investments/fixed assets at the year-end. The obligations of the Sukuk Contract Counterparties pursuant to the Sukuk Contracts constitute long-term financial liabilities which are subject to Zakat.

Zakat considerations for the Investment Manager

The Investment Manager acting as *Muwakkil* on behalf of the Issuer will not present any assets or liabilities on its balance sheet with respect to the funds flowing from and to the Issuer or from and to the Sukuk Contract Counterparties. Consequently, the Investment Manager will not be subject to Zakat on such flow of funds. However, the net fees generated from the transactions conducted by the Investment Manager on behalf of the Issuer in addition to its normal business operations (if any) will be subject to Zakat at the rate of 2.5%.

Withholding tax implications in connection with the transaction

A Saudi resident person or entity is required to withhold tax from payments made to non-residents not having a Permanent Establishment (as defined below) in the Kingdom in respect of income earned from a source in the Kingdom.

Accordingly, as the Issuer is not Saudi resident, the payment of the Profit Collections by the Investment Manager to the Issuer pursuant to the Investment Management Agreement will be subject to a 5% withholding tax. As per the Income Tax Regulation (as defined below), the Investment Manager will be responsible for withholding and settling the tax with the Department of Zakat and Income Tax.

Certain tax and Zakat implications for Certificateholders

GCC Certificateholders who are Resident in the Kingdom

Certificateholders who are GCC Persons (as defined below) with permanent residence in the Kingdom are not subject to any Saudi Arabian tax in respect of any profit payment received or gain realized in respect of the Certificates. However, such Certificateholders will be subject to Zakat in respect of any profit payment received or gain realized in respect of the Certificates at the rate of 2.5%.

Non-GCC Certificateholders who are Resident in the Kingdom

Residents in the Kingdom who are non-GCC legal entities will be subject to Saudi Arabian corporate income tax at the rate of 20% on any profit payment received or gain realized in respect of the Certificates but they will not be subject to any Zakat. Residents in the Kingdom who are non-GCC natural persons will not be subject to any Saudi Arabian tax or Zakat.

Certificateholders who are not Resident in the Kingdom

Certificateholders, either natural persons or legal entities, who are not Residents in the Kingdom (whether such Certificateholders are Saudi Arabian nationals or non Saudi Arabian nationals (including Certificateholders resident in GCC)) will not be subject to Saudi Arabian withholding tax or Zakat on any payments received by them in respect of the Certificates. However, natural persons having the nationality of a GCC country other than the Kingdom who are not Resident but have a Permanent Establishment in the Kingdom and legal entities established under the laws of a GCC country other than the Kingdom with a Permanent Establishment in the Kingdom are subject to Saudi Arabian corporate income tax at the rate of 20% in respect of any profit payment received or gain realized in respect of the Certificates but will not be subject to Zakat.

For purposes of this summary:

A person is a "**Resident**" in the Kingdom (as defined in Article 3 of the Income Tax Regulation issued under Royal Decree No. M/1 dated 15/01/1425H (the "**Income Tax Regulation**")) if it meets the following conditions:

(A) A natural person is considered a Resident in the Kingdom for a taxable year if he meets either of the two following conditions:

(1) He has a permanent place of residence in the Kingdom and resides in the Kingdom for a total of not less than thirty (30) days in the taxable year; or

(2) He resides in the Kingdom for a period of not less than one hundred eighty three (183) days in the taxable year.

(B) A company is considered Resident in the Kingdom during the taxable year if it meets either of the following conditions:

(1) It is formed in accordance with the Companies Law; or

(2) Its central management is located in the Kingdom.

Certificateholders will not be deemed to be Resident in the Kingdom solely by reasom of holding any Certificates.

"**GCC Person**" means (a) a natural persons having the nationality of any of the GCC Countries (namely, the Kingdom, the United Arab Emirates, the Kingdom of Bahrain, the Sultanate of Oman, the State of

Qatar and the State of Kuwait) and (b) any legal entity owned by GCC nationals and established under the laws of a GCC country.

"**Permanent Establishment**" means the permanent enterprise of a non-resident in the Kingdom which represents a permanent place for the non-resident's activity where he conducts the activity either fully or partly; this also includes the activity conducted by the non-resident through an agent.

Certain US Federal Tax Considerations

General

The following is a description of the principal US federal income tax consequences to a US Holder (as defined below) of the acquisition, ownership, and disposition of the Certificates. This description only applies to Certificates held as capital assets and does not address, except as set forth below, aspects of US federal income taxation that may be applicable to holders that are subject to special tax rules, such as:

- financial institutions;
- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- tax-exempt organizations;
- dealers or traders in securities or currencies;
- holders that have a functional currency other than the US Dollar;
- certain former citizens and long-term residents of the United States; or
- holders that will hold Certificates as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for US federal income tax purposes.

Moreover, this description does not address the US federal estate and gift tax or alternative minimum tax consequences of the acquisition, ownership, and disposition of Certificates and does not address the US federal income tax treatment of holders that do not acquire Certificates as part of the initial distribution at their initial issue price. Each prospective purchaser should consult its tax advisor with respect to the US federal, state, local and foreign tax consequences of acquiring, holding and disposing of Certificates.

This summary is based on the US Internal Revenue Code of 1986, as amended (the "**Code**"), final, temporary and proposed US Treasury Regulations, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing is subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein. The Issuer will not seek a ruling from the Internal Revenue Service (the "**IRS**") with regard to the US federal income tax treatment of Certificates, therefore, there can be no assurance that the IRS will agree with the conclusions set forth below.

For purposes of this description, a US Holder is a beneficial owner of Certificates who for US federal income tax purposes is:

- a citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for US federal income tax purposes) organized in or under the laws of the United States or any State thereof, including the District of Columbia;
- an estate the income of which is subject to US federal income taxation regardless of its source; or
- a trust (1) that validly elects to be treated as a US person for US federal income tax purposes or (2)(a) the administration over which a US court can exercise primary supervision and (b) all of the substantial decisions of which one or more US persons have the authority to control.

If a partnership (or any other entity treated as a partnership for US federal income tax purposes) holds Certificates, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences.

Internal Revenue Service Circular 230 Disclosure

Pursuant to Internal Revenue Service Circular 230, the Issuer and Dar Al-Arkan hereby inform you that the description set forth herein with respect to US federal tax issues was not intended or written to be used, and such description cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on the taxpayer under the US Internal Revenue Code. Such description was written to support the marketing of the Certificates. Taxpayers should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Overview

The Issuer intends to treat the Certificates under the rules applicable to debt instruments for US tax purposes, and agrees, to the extent required, not to take any position contrary to the foregoing on any US federal income tax return or information statement.

Taxation of Periodic Payments and Additional Amounts

A US Holder will treat the Periodic Distribution Amount, Distribution Shortfall Restoration Amount and additional amounts, if any, as ordinary income (the Periodic Distribution Amount and Distribution Shortfall Restoration Amount are referred to herein as the "**Periodic Payments**"). In addition, such Periodic Payments will be treated as foreign source income for US federal income tax purposes. Subject to certain conditions and limitations, foreign taxes, if any, withheld on Periodic Payments may be treated as foreign taxes eligible for credit against your US federal income tax liability. The limitation on foreign taxes eligible for the US foreign tax credit is calculated separately with respect to specific "baskets" of income. Periodic Payments on the Certificates generally will constitute "passive category income," or, in the case of certain US holders, "general category income". As an alternative to the tax credit, a US Holder may elect to deduct such taxes (the election would then apply to all foreign income taxes such US Holder paid in that taxable year). The rules governing the foreign tax credit are complex. US Holders should consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Taxation of the Sale or Disposition of Certificates

Upon the sale, exchange, retirement or other disposition of Certificates, a US Holder will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange, retirement or other disposition (other than accrued but unpaid Periodic Distribution Amounts, which will be taxable as ordinary income) and your adjusted tax basis in the Certificates. A US Holder's adjusted tax basis in Certificates generally will equal the cost of the Certificates and any gain or loss will be capital gain or loss. A non-corporate US Holder's maximum marginal US federal income tax rate applicable to any gain will be lower than the maximum marginal US federal income tax rate applicable to ordinary income (other than certain dividends) if such holder's holding period for the Certificates exceeds one year (*i.e.*, such gain is long-term capital gain). Any gain or loss realized on the sale, exchange or retirement of Certificates generally will be treated as US source gain or loss, as the case may be.

Consequently, you may not be able to claim a credit for any foreign tax imposed upon the sale, exchange, retirement or other disposition of Certificates unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources. The deductibility of capital losses is subject to limitations.

US Backup Withholding and Information Reporting

Backup withholding and information reporting requirements apply to Periodic Payments and to proceeds of the sale, redemption or disposition of Certificates, to certain non-corporate holders of Certificates that are US persons. Information reporting generally will apply to Periodic Payments and to proceeds from the sale, redemption or disposition of Certificates within the United States, or by a US payor or US middleman, to a holder of Certificates that is a US person (other than an exempt recipient, including a corporation, and certain other persons). The payor will be required to backup withhold on payments made within the United States, or by a US payor or US middleman, on Certificates to a holder of Certificates that is a US person, other than an exempt recipient, such as a corporation, if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a US payor or US middleman, of Periodic Payments to a holder of Certificates that is not a US person will not be subject to backup withholding and information reporting requirements if an appropriate certification is provided by the holder to the payor, and the payor does not have actual knowledge or a reason to know that the certificate is incorrect. The backup withholding tax rate is 28% for taxable years through 2010.

Backup withholding is not an additional tax. US Holders generally will be entitled to credit any amounts withheld under the backup withholding rules against their US federal income tax liability provided the required information is furnished to the IRS in a timely manner.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, ownership and disposition of Certificates. Prospective purchasers of Certificates should consult their tax advisors concerning the tax consequences of their particular situation.

LEGAL MATTERS

Certain legal matters will be passed upon for the Issuer in connection with the offering of the Certificates by Maples and Calder with respect to Cayman Islands law. Certain legal matters will be passed upon for the Issuer and Dar Al-Arkan in connection with the offering of the Certificates by White & Case LLP with respect to the laws of the Kingdom, England and the United States. Certain legal matters will be passed upon for the Joint Bookrunners and Joint Lead Managers in connection with the offering of the Certificates by Linklaters LLP with respect to English and United States law, and by the Law Office of Adbulaziz H Fahad with respect to the laws of the Kingdom. Certain legal matters will be passed upon for the Delegate in connection with the offering of the Certificates by Linklaters LLP with respect to English law.

INDEPENDENT AUDITORS

The annual consolidated financial statements of Dar Al-Arkan as of, and for the years ended, December 31, 2009 and 2008 have been audited by Deloitte & Touche Bakr Abulkhair & Co., independent auditors, as stated in their report included herein. The business address of Deloitte & Touche Bakr Abulkhair & Co. is P.O. Box 213, Riyadh 11411, Kingdom of Saudi Arabia. The annual consolidated financial statements of Dar Al-Arkan as of, and for the year ended, December 31, 2007 have been audited by Talal Abu-Ghazaleh & Co., independent auditors, as stated in their report included herein. The business address of Talal Abu-Ghazaleh & Co. is P.O. Box 9767, Riyadh 11423, Kingdom of Saudi Arabia.

GENERAL INFORMATION

Available Information

For so long as any of the Certificates are current, copies of the following documents are available for inspection at Dar Al-Arkan's head office at Maathar Street, P.O. Box 105633, Riyadh 11656, the Kingdom of Saudi Arabia between the hours of 9.00 a.m. and 5.00 p.m. on each day other than a Thursday, Friday or public holiday:

(i) Dar Al-Arkan's By-Laws;

(ii) Dar Al-Arkan's Commercial Registration No. 1010160195;

(iii) Dar Al-Arkan's audited financial statements for the years ended December 31, 2009, 2008 and 2007; and

(iv) the Transaction Documents.

Neither the Issuer nor Dar Al-Arkan is required to file periodic reports under Sections 13 or 15 of the US Exchange Act, nor is either of them exempt from such reporting pursuant to Rule 12g3-2(b) thereunder. To permit compliance with Rule 144A in connection with resale of the Certificates, each of the Issuer and Dar Al-Arkan has agreed to provide any holder of Certificates, or any prospective purchaser of Certificates, upon request, the information required to be provided by Rule 144A(d)(4), if at the time of the request, it is not a reporting company under Section 13 or Section 15(d) of the US Exchange Act, or is not exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

No Significant Change

There has been no significant change in the financial or trading position of Dar Al-Arkan and no material adverse change in the prospects of Dar Al-Arkan since December 31, 2009.

Third Party Information

Where information in this Offering Memorandum has been sourced from third parties this information has been accurately reproduced, and as far as the Issuer and Dar Al-Arkan are aware and are able to ascertain from the information published by such third parties no facts have been have been omitted which would render the reproduced information inaccurate or misleading.

Security Codes

The Certificates have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The Common Code and ISIN for the Unrestricted Certificates and the Common Code, ISIN and CUSIP number for the Restricted Certificates are as follows:

Unrestricted Certificates

Common Code: 048532675

ISIN: XS0485326754

Restricted Certificates

Common Code: 048645186

ISIN: US23703RAA05

CUSIP: 23703R AA0

APPENDIX—FINANCIAL STATEMENTS

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Dar Al Arkan Real Estate Development Company
(A Saudi Joint Stock Company)
Riyadh—Kingdom Of Saudi Arabia

We have audited the accompanying financial statements of Dar Al Arkan Real Estate Development Company (A Saudi joint stock company) and its subsidiaries which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Dar Al Arkan Real Estate Development Company and its subsidiaries as of 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche
Bakr Abulkhair & Co.

/s/ Bakr A. Abulkhair
License No. 101

Safar 2, 1431
January 17, 2010

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Notes	2009 SR 000	2008 SR 000
ASSETS			
Non-current assets			
Investment properties	5	**1,518,167**	591,238
Development properties	6	**16,446,080**	13,478,482
Property and equipment	7	**102,933**	119,790
Investment in associates	8	**1,162,360**	1,120,000
Other assets		**98,269**	126,871
		19,327,809	15,436,381
Current assets			
Development properties	6	**964,059**	1,268,800
Trade receivables and others	9	**1,081,427**	2,742,324
Cash and cash equivalents		**2,223,495**	716,475
		4,268,981	4,727,599
TOTAL ASSETS		**23,596,790**	20,163,980
LIABILITIES AND EQUITY			
Non-current liabilities			
Long-term borrowings	10	**5,654,742**	6,000,000
End of service indemnities	11	**12,038**	7,889
		5,666,780	6,007,889
Current liabilities			
Short-term borrowings	10	**2,700,000**	1,635,000
Trade payables and others	12	**546,019**	274,520
Current tax liabilities (Zakat)		**560,074**	510,074
		3,806,093	2,419,594
Equity			
Share capital	13	**10,800,000**	7,200,000
Statutory reserve		**462,268**	3,600,000
Retained earnings		**2,596,908**	936,497
Equity attributable to Dar Al Arkan shareholders		**13,859,176**	11,736,497
Non-controlling interests from Group subsidiaries		**264,741**	—
		14,123,917	11,736,497
TOTAL LIABILITIES AND EQUITY		**23,596,790**	20,163,980

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009	2008
		SR 000	SR 000
REVENUE		**5,464,053**	5,610,768
Cost of sales		**(2,956,916)**	(2,765,587)
GROSS PROFIT	4	**2,507,137**	2,845,181
General, administrative, selling and marketing expenses		**(146,423)**	(151,630)
Depreciation		**(17,531)**	(22,253)
OPERATING PROFIT		**2,343,183**	2,671,298
Share of losses from investment in associates		**(4,640)**	—
Finance income		**—**	4,377
Finance costs	14	**(168,567)**	(271,523)
Other income		**2,703**	12,518
PROFIT BEFORE ZAKAT		**2,172,679**	2,416,670
Zakat expense		**(50,000)**	(60,423)
NET PROFIT FOR THE YEAR		**2,122,679**	2,356,247
Attributable to:			
Dar Al Arkan shareholders		**2,122,679**	2,356,247
Non-controlling interests from Group subsidiaries		**—**	—
Earnings per share (in Saudi Riyals)			
Basic and diluted	15	**1.97**	2.18

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital	Statutory reserve	Retained earnings	Dar Al Arkan shareholders' equity	Non-Controlling interest	Total equity
	SR 000	SR 000	SR 000		SR 000	SR 000
2009						
Balance as at 1 January	7,200,000	3,600,000	936,497	**11,736,497**	—	**11,736,497**
Capital increase through transfer from statutory reserve and retained earnings	3,600,000	(3,350,000)	(250,000)	**—**	—	**—**
Additions during the Year (note 1)	—	—	—	**—**	264,741	**264,741**
Net profit for the year	—	—	2,122,679	**2,122,679**	—	**2,122,679**
Transfer to statutory reserve	—	212,268	(212,268)		—	**—**
Balance as at 31 December	**10,800,000**	**462,268**	**2,596,908**	**13,859,176**	**264,741**	**14,123,917**
2008						
Balance as at 1 January	5,400,000	3,242,253	2,357,997	**11,000,250**	—	**11,000,250**
Dividends	—	—	(1,620,000)	**(1,620,000)**	—	**(1,620,000)**
Capital increase through transfer from retained earnings	1,800,000	—	(1,800,000)	**—**	—	**—**
Net profit for the year	—	—	2,356,247	**2,356,247**	—	**2,356,247**
Transfer to statutory Reserve	—	357,747	(357,747)	**—**	—	**—**
Balance as at 31 December	**7,200,000**	**3,600,000**	**936,497**	**11,736,497**	—	**11,736,497**

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
	SR 000	SR 000
OPERATING ACTIVITIES		
Profit before Zakat	**2,172,679**	2,416,670
Adjustment for:		
Depreciation	**17,531**	22,253
End of service indemnities	**5,222**	3,581
Finance income	**—**	(4,377)
Finance costs	**168,567**	271,523
Share of losses from investment in associates	**4,640**	—
Operating cash flows before movements in working capital	**2,368,639**	2,709,650
Development properties	**(2,662,857)**	(2,186,565)
Trade receivables and others	**1,660,897**	(866,450)
Other assets	**28,602**	(13,285)
Trade payables and others	**271,499**	(221,154)
Cash from/ (used in) operations	**1,666,780**	(577,804)
Finance costs paid	**(168,567)**	(271,523)
Zakat paid during the year	**—**	(24,277)
End-of-service indemnities paid	**(1,073)**	(167)
NET CASH FROM/ (USED IN) OPERATING ACTIVITIES	**1,497,140**	(873,771)
INVESTING ACTIVITIES		
Investment in associates	**(47,000)**	(1,045,000)
Investment properties	**(926,929)**	(327,545)
Purchase of property and equipment	**(2,234)**	(3,473)
Proceeds from disposal of property and equipment	**1,560**	22
Finance income	**—**	4,377
NET CASH USED IN INVESTING ACTIVITIES	**(974,603)**	(1,371,619)
FINANCING ACTIVITIES		
Islamic Sukuk	**750,000**	—
Murabaha borrowings, net	**(30,258)**	1,235,000
Contribution from non-controlling interests	**264,741**	—
Dividends paid	**—**	(1,620,000)
NET CASH FROM/ (USED IN) FINANCING ACTIVITIES	**984,483**	(385,000)
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,507,020**	(2,630,390)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	**716,475**	3,346,865
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**2,223,495**	716,475

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

1. GENERAL INFORMATION

Dar Al-Arkan Real Estate Development Company is an Islamic Shar'iah compliant Joint Stock Company established under the Company Laws & Regulations of The Kingdom of Saudi Arabia. The Company is registered in Riyadh under Commercial Registration No 1010160195 dated 16/04/1421 H, corresponding to 18/07/2000 G. The Company is domiciled in The Kingdom of Saudi Arabia (K.S.A.) and its registered office address is P.O. Box No: 105633, Riyadh-11656, K.S.A.

The equity shares of the Company are listed with the security market of The Kingdom of Saudi Arabia.

The Company and its Subsidiaries are collectively called "the Group" and is predominantly engaged in the business of development and sale of real estate projects and associated activities. The Company manages its activities through subsidiaries established for each line of business. These Subsidiaries operate under their own commercial registration and are summarized below:

Name of the Company	Country of establishment	Ownership %	Main Activity
Dar Al-Arkan Properties Co. (Limited liability company)	K.S.A	100	Property management
Dar Al-Arkan Projects Co. (Limited liability company)	K.S.A	100	Development of residential and commercial properties
Dar Al-Arkan Commercial Investments Co. (Limited liability company)	K.S.A	100	Real Estate investments
Dar Al-Arkan Sukuk Co. (Limited liability company)	K.S.A	100	Real Estate investments and Development

Non-controlling Interest

The Group has formed Khozam Real Estate Development Company, a majority owned subsidiary and maintained control of the operations. This subsidiary is consolidated within these financial statements, with a 49% non-controlling interest attributed to the Jeddah Development and Urban Regeneration Company. The Jeddah Development and Urban Regeneration Company contributed SR 265 million for its share of the Company's capital, which is reflected as non-controlling interest. The Company was created in October 2009 and there have been no revenues or expenses for the period ended December 31, 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), consistent with the Group's accounting policies as at 1 January 2008 with the exception of any changes to accounting policies as described below.

2.2 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

Standards and interpretations effective in the current period

In the current year, the Group has adopted all new Interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") that are mandatory for adoption in the annual periods beginning on or after 1 January 2009. The adoption of these interpretations has not led to any changes in the Group's accounting policies or disclosures provided in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards and Interpretations in issue and early adopted

In these consolidated financial statements the Group has early adopted the amendments to IAS 27 which is mandatory for adoption in the annual periods beginning on or after 1 January 2010. The management of the Group believes that early adoption of this standard will provide the users of the financial statement with more relevant information about the effects of transactions, other events or conditions on the entity's financial position and financial performance.

Standards and interpretations in issue but not yet adopted

The following standards, amendments and interpretations were in issue at the date of authorization of these financial statements, but not yet effective, and therefore were not applied in these financial statements.

The impact of the adoption of these standards is currently being assessed, however the directors anticipate that the adoption of these standards, amendments and interpretations in future periods will not have a significant impact on the consolidated financial statements of the Group.

	Standard	Effective for annual periods beginning on or after
IFRS 2 (revised)	Share based payments. Amendments relating to group cash settled share based payment transactions.	January 1, 2010
IFRS 3 (revised)	Business combinations	July 1, 2009
IFRS 5 (revised 2009)	Non-current assets held for sale and discontinued operations	January 1, 2010
IAS 17 (revised 2009)	Leases	January 1, 2010
IAS 24 (revised 2009)	Related party disclosure	January 1, 2011
Amendment to IAS 32	Financial Instrument presentation	February 1, 2010
Amendment to IAS 36	Impairment of assets	January 1, 2010
Amendment to IAS 39 (Nov 2008)	Eligible hedged items	July 1, 2009
Amendment to IFRS 8	Operating Segments	January 1, 2010
IFRS 9	Financial instruments	January 1, 2013
IFRIC 17	Distribution of non-cash assets to owners	July 1, 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	January 1, 2010

2.3 ACCOUNTING CONVENTION

The consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets at fair value, the principal accounting policies are set out below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements of the Group incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 December 2009.

Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit to the Group. Subsidiaries are fully consolidated from the effective date of acquisition or 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 as the fair value of the assets given, 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 in a business combination are initially measured at fair value 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 fair values of the assets and liabilities recognized. 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 fair value of the Group's share of identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair value of identifiable net assets acquired (i.e. discount on acquisition) is recognized directly in the consolidated statement of comprehensive income.

All intra-group transactions, balances, and unrealized gains on transactions between Group companies are eliminated on consolidation. Unrealized 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 consolidated financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the consolidated financial position at cost as adjusted by the post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interests in those associates are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of cost of acquisition over the Group's share of the fair values of identifiable net assets of the associate or joint venture 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 fair values of identifiable net assets of the associate or joint venture at the date of acquisition (i.e. discount on acquisition) is recognized in the consolidated statement of comprehensive income.

Where a Group company transacts with an associate or joint venture 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and any recognized 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:

Freehold buildings	3%
Plant and machinery	20%
Other 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 recognized in the consolidated statement of comprehensive income.

At each date of preparation of the 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 recognized as an expense immediately.

2.6 INVESTMENT PROPERTY

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at cost less accumulated depreciation and any recognized 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%

Gains or losses arising from the retirement or disposal of investment properties being the difference between the net disposal proceeds and carrying value are included in the consolidated statement of comprehensive income for the period of the retirement/disposal except those that relate to sale and leaseback arrangements.

2.7 DEVELOPMENT PROPERTIES

Development properties principally comprise completed projects (including properties held for sale and developed land held for sale) and projects under development (including property projects under construction, land projects under development and land waiting for development). Projects under development include those properties in progress of development or waiting for development to commence.

All development properties are accounted for at the lower of cost and net realizable value. Cost comprises direct material cost, direct labor costs, borrowing costs and those overheads that have been incurred in bringing the development properties to their present location and condition. Cost is calculated using the average method. Net realizable value represents the estimated selling price less all estimated costs to completion and selling costs to be incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The operating cycle of development properties is such that the majority of development properties will not be realized within 12 months. These have been split between non-current and current development properties.

2.8 IMPAIRMENT OF TANGIBLE ASSETS

At the date of each consolidated statement of financial position, the Group reviews the carrying amounts of its tangible assets for any indication that those assets have suffered impairment losses. When such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use. 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 recognized in the consolidated statement of comprehensive income.

2.9 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in finance costs in the consolidated statement of comprehensive income in the period in which they are incurred.

2.10 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized on the Group's consolidated statement of financial position when the Group has become a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are classified as loans and receivables and are initially recognized at fair value. They are subsequently measured at their amortized cost using the effective interest rate method less any provision for impairment. A provision for impairment is made where there is objective evidence, including customers with financial difficulties or in default on payments, that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective commission rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognized in the consolidated statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and other short-term deposits held by the Group with original maturities of less than three months.

Financial liabilities

Financial liabilities include Islamic Sukuk and Islamic Murabaha and are classified according to the substance of the respective contractual arrangement and are initially measured at their fair value, net of transaction costs. Financial liabilities are subsequently carried at their amortized cost, with commission cost being recognized on an effective yield basis in the consolidated statement of comprehensive income over the term of the instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Trade payables

Trade payables are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method.

2.11 REVENUE RECOGNITION

Revenue represents the sale of development properties. Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and significant risks and rewards of ownership have been transferred to the buyer, which it has assessed to be at the time of legal completion of the sale or unconditional exchange. Revenue is measured at the fair value of consideration received.

2.12 ZAKAT TAXATION

Zakat is calculated pursuant to Zakat Regulation in the Kingdom of Saudi Arabia and recognized in the consolidated statement of comprehensive income in each period. The provision is based on an estimate of Zakat that is adjusted in the financial year in which the final assessment of Zakat is issued. Any change in the estimate resulting from the final assessment in recognized in that period.

2.13 FOREIGN CURRENCIES

Transactions in currencies other than Saudi Riyals, the presentational and functional currency of each subsidiary within the Group, are recorded at the rates of exchange prevailing on the dates of the transactions. At the date of each consolidated statement of financial position, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date Non-monetary assets and liabilities carried at fair value, that are denominated in foreign currencies, are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The resulting exchange gain or losses are recognized in the consolidated statement of comprehensive income.

2.14 STATUTORY RESERVE

According to the article (176) of the Companies' Regulation, the Group is required to retain 10% of net income in the statutory reserve. The Group may stop the transfers when this reserve reaches 50% of the share capital.

2.15 END OF SERVICE INDEMNITIES

The Group provides end of service benefits to its employees in accordance with the labor law provision of Saudi Arabia. The entitlement to these indemnities is based upon the employee's final salary, length of service and the completion of a minimum service period. The costs of these indemnities are accrued over the period of employment based on the estimated ultimate payment.

2.16 RETIREMENT BENEFIT COSTS

The Group makes contributions in line with the General Organization for Social Insurance Regulations and are calculated as a percentage of employees' wages. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan. Payments made to defined contribution retirement benefit plans are charged as an expense as they fall due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 LEASING

Rentals payable under operating leases are charged to statement of comprehensive income on a straight-line basis over the term of the relevant lease.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience, internal controls, advice from external experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting judgments will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

Revenue Recognition

The Group recognizes revenue on its development properties when significant risks and rewards of ownership transfer to the buyer, which is assessed to be at the time of legal completion of the sale or unconditional exchange.

With respect to land projects, the Group receives an initial deposit with the balance being paid on a deferred basis, which typically does not exceed three months. The Group recognizes the full amount of the consideration at the time the sale contract is signed.

With respect to residential and commercial projects, The Group typically receives an initial deposit on the signature of the sales contract and a final payment on delivery of the units. Revenue from the sale of these properties is only recognized when the completed property is delivered to the purchaser.

With respect to rental income, the Group recognizes revenue on a straight line basis over the lease term.

Recognition of cost of sales

The Group has developments which typically contain a number of individual projects within each development. In order to determine cost of sales related to properties or units sold during the period, management must estimate to average the costs of the entire development, including infrastructure costs and overall construction costs. These costs must then be allocated to each project within the development and each unit within a project. These estimates are reviewed regularly on a profit per project basis and revised as necessary. Any significant change in these estimates may result in additional costs being recorded in future periods related to revenue recognized in a prior period.

Classification of properties

The Group's properties are classified as either development properties or investment properties. Management has made various judgments to determine whether a property qualifies as an investment property (properties held to earn rentals and/or for capital appreciation) or as a development property that comprises properties held for sale, developed land held for sale, property projects under construction, land projects under development and land awaiting development. In making its judgment, management considers its intended use of property. When management assess that certain investment properties will be disposed off, their carrying cost will be transferred to development properties as long as they are under development and not generating revenues. Further, at each reporting date management categorises individual projects as long term or short term depending on its estimated completion date. If a completion

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

date is expected to be within a year of the consolidated statement of financial position date, the project is classified as current.

Investment Properties

Investment property is recognized at cost while under construction as management does not believe that the fair value of the property is reliably determinable during the construction phase. Upon completion of construction, or if the fair value becomes reliably determinable during construction, the investment property is adjusted to fair value. At that time, any amount above the original cost is recognized as an increase in fair value of investment properties on the consolidated statement of comprehensive income. At 31 December 2009, substantially all of the Group's investment properties were still under construction, and accordingly recognized at cost.

Carrying value of development properties

The Group's principal activity is currently the development and sale of land and the development and sale of residential and commercial property. Due to the nature of this activity, much of the development is speculative in nature. Accordingly, the consolidated statement of financial position at 31 December 2009 reflects current assets that are not covered by forward sales contracts.

The Group assesses the net realizable value of its investment properties and its development properties at each reporting date. This assessment is based on a profit per project basis and compares the carrying and future costs to the expected selling price per unit based on historical activities. As a result of this process, there have been no instances where the estimated net realizable value of the site was less than its current carrying value within the consolidated statement of financial position. A change of these estimates in the future could have an impact on the valuation of the development properties.

4. REPORTING SEGMENTS

Management has organized the Group into three segments. Management develops its strategic planning and business model around these segments that consist of:

- Projects—the development of basic infrastructure on undeveloped land ("Land Projects") and the development of residential and commercial projects and the sale of residential units on such projects ("Residential and Commercial Projects").
- Investments—the investment in companies that Management believes are complementary to the Group's real estate development operations
- Properties—management of properties that the Group has retained as rental properties including commercial and residential units on its Master-Planned Communities.

The Group does not allocate share of profits of associates, general administration, selling and marketing costs including directors' salaries, finance costs, other income and Zakat expense to its segments. Substantially all of segment operating activity (including revenue and costs) for the years ended December 31, 2009 and 2008 was generated from the Projects segment and as a result there is no breakout provided of revenue and segment profit by segment. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2.

The Group operates exclusively in Saudi Arabia and all its revenues are derived from its portfolio of properties which the Group manages.

4. REPORTING SEGMENTS (Continued)

Major products

The revenue and gross margin from sales of land and sales of residential properties by projects is presented below:

	2009	2008
	SR 000	SR 000
REVENUES		
Sales of residential properties	**519,321**	990,375
Sales of land	**4,944,732**	4,620,393
Total	**5,464,053**	5,610,768
COST OF SALES		
Residential properties	**398,313**	566,929
Land	**2,558,603**	2,198,658
Total	**2,956,916**	2,765,587
GROSS PROFIT		
Residential properties	**121,008**	423,446
Land	**2,386,129**	2,421,735
Total	**2,507,137**	2,845,181

5. INVESTMENT PROPERTIES

	Year ended 31 December 2009	Year ended 31 December 2008
	SR 000	SR 000
COST		
At beginning of the year	**594,234**	243,830
Additions	**878,151**	319,665
Capitalization of borrowing costs	**49,528**	30,739
At end of the year	**1,521,913**	594,234
ACCUMULATED DEPRECIATION		
At beginning of the year	**2,996**	2,141
Charge during the year	**750**	855
At end of the year	**3,746**	2,996
CARRYING AMOUNT AT THE END OF THE YEAR	**1,518,167**	591,238

Included within investment properties is land with an original cost of SR 378.1 million (31 December 2008: SR 218.8 million). The market value of the investment properties is considered to be the carrying value, as the investment properties are currently under construction and their fair value cannot be reliably estimated until completion. The estimated fair value approximates the carrying value of the investment properties.

6. DEVELOPMENT PROPERTIES

	2009	2008
	SR 000	SR 000
Property projects under development	**3,345,670**	1,301,382
Developed land	**4,171,653**	2,978,237
Land projects under development	**8,928,757**	9,198,863
Non-current assets	**16,446,080**	13,478,482
Property projects under development	**677,431**	1,148,200
Developed land	**286,628**	120,600
Current assets	**964,059**	1,268,800
Total development properties	**17,410,139**	14,747,282

Included within Land projects under development is land worth SR 3.68 billion (31 December 2008: SR 3.72 billion), which represents the Group's share of co-ownership with third parties according to the contracts of land development.

The movement in development properties during the year ended 31 December 2009 and the year ended 31 December 2008 is as follows:

	Property projects under development	Developed land	Land projects under development	Total
	SR 000	SR 000	SR 000	SR 000
Non-current assets				
2009				
Balance at 1 January 2009	1,301,382	2,978,237	9,198,863	13,478,482
Additions	393,660	2,304,176	1,839,692	4,537,528
Capitalization of borrowing costs	115,649	—	—	115,649
Transfers	1,534,979	626,570	(2,109,798)	51,751
Disposals	—	(1,737,330)	—	(1,737,330)
Balance at 31 December 2009	**3,345,670**	**4,171,653**	**8,928,757**	**16,446,080**
2008				
Balance at 1 January 2008	1,017,539	2,234,452	6,625,247	9,877,238
Additions	214,419	719,229	2,573,616	3,507,264
Capitalization of borrowing costs	69,424	—	—	69,424
Transfers	—	175,562	—	175,562
Disposals	—	(151,006)	—	(151,006)
Balance at 31 December 2008	**1,301,382**	**2,978,237**	**9,198,863**	**13,478,482**

6. DEVELOPMENT PROPERTIES (Continued)

	Property projects under development	Developed land	Total
	SR 000	SR 000	SR 000
Current assets			
2009			
Balance at 1 January 2009	1,148,200	120,600	1,268,800
Additions	165,168	780,673	945,841
Capitalization of borrowing costs	20,755	—	20,755
Transfers	(258,379)	206,628	(51,751)
Disposals	(398,313)	(821,273)	(1,219,586)
Balance at 31 December 2009	**677,431**	**286,628**	**964,059**
2008			
Balance at 1 January 2008	1,193,345	1,490,134	2,683,479
Additions	663,015	658,125	1,321,140
Capitalization of borrowing costs	—	54,324	54,324
Transfers	—	(175,562)	(175,562)
Disposals	(708,160)	(1,906,421)	(2,614,581)
Balance at 31 December 2008	**1,148,200**	**120,600**	**1,268,800**

7. PROPERTY AND EQUIPMENT

	Land and buildings	Leasehold improvements	Vehicles	Plant and machinery	Office equipment	Total
	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000
2009						
COST						
At 1 January 2009	**109,145**	**18,626**	**11,966**	**14,143**	**38,213**	**192,093**
Additions	**—**	**259**	**340**	**—**	**1,635**	**2,234**
Disposals	**—**	**—**	**(2,316)**	**(797)**	**(2,181)**	**(5,294)**
At 31 December 2009	**109,145**	**18,885**	**9,990**	**13,346**	**37,667**	**189,033**
ACCUMULATED DEPRECIATION						
At 1 January 2009	**14,224**	**13,126**	**9,317**	**11,331**	**24,305**	**72,303**
Charge for the year	**4,296**	**3,095**	**1,393**	**2,670**	**6,077**	**17,531**
Transfers/adjustments	**5,505**	**—**	**—**	**(5,505)**	**—**	**—**
Disposals	**—**	**—**	**(1,766)**	**—**	**(1,968)**	**(3,734)**
At 31 December 2009	**24,025**	**16,221**	**8,944**	**8,496**	**28,414**	**86,100**
CARRYING AMOUNT						
AT 31 December 2009	**85,120**	**2,664**	**1,046**	**4,850**	**9,253**	**102,933**

7. PROPERTY AND EQUIPMENT (Continued)

	Land and buildings	Leasehold improvements	Vehicles	Plant and machinery	Office equipment	Total
	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000
2008						
COST						
At 1 January 2008	**134,145**	**18,153**	**11,626**	**14,065**	**35,654**	**213,643**
Additions	—	473	340	100	2,559	3,472
Transfers	(25,000)	—	—	—	—	(25,000)
Disposals	—	—	—	(22)	—	(22)
At 31 December 2008	**109,145**	**18,626**	**11,966**	**14,143**	**38,213**	**192,093**
ACCUMULATED DEPRECIATION						
At 1 January 2008	**11,554**	**9,577**	**7,165**	**8,651**	**16,100**	**53,047**
Charge for the year	5,667	3,549	2,152	2,680	8,205	22,253
Transfers/adjustments	(2,997)	—	—	—	—	(2,997)
At 31 December 2008	**14,224**	**13,126**	**9,317**	**11,331**	**24,305**	**72,303**
CARRYING AMOUNT						
AT 31 December 2008	**94,921**	**5,500**	**2,649**	**2,812**	**13,908**	**119,790**

Included within land and buildings are land with an original cost of SR 9.50 million (31 December 2008: SR 9.50 million).

8. INVESTMENT IN ASSOCIATES

The group's investments in its associates are as follows:

a. Investments in associates:

	Year ended 31 December 2009	Year ended 31 December 2008
	SR 000	SR 000
Investments, beginning of year	**364,000**	75,000
Acquisition during the year	**47,000**	289,000
Share of losses during the year	**(4,640)**	—
Investments, end of year	**406,360**	364,000

b. Advances recoverable from associates:

	Year ended 31 December 2009	Year ended 31 December 2008
	SR 000	SR 000
Advances, beginning of year	**756,000**	—
Additions during the year	**—**	756,000
Advances, end of year	**756,000**	756,000
Investments and advances, end of year	**1,162,360**	1,120,000

Advances to associates are non-commission bearing and will be settled within the 18 month period from December 31, 2009.

8. INVESTMENT IN ASSOCIATES (Continued)

c. Summarized financial information in respect of the Group's associates is set out below:

	31 December 2009	31 December 2008
	SR 000	SR 000
Total assets	**2,063,739**	1,739,267
Total liabilities	**(800,057)**	(772,298)
Net assets	**1,263,682**	966,969
Group's share of net assets of associates	**254,720**	211,495
Total revenue	**57,908**	—
Total loss for the year	**(22,990)**	—
Group's share of loss for the year	**(4,640)**	—

Investment in associates represents investments in share of companies, where the Group exercises significant influence. The shares of these companies are not publicly traded. The Group's ownership in these privately owned companies ranges from 15% to 34%. For entities where the investment is less than 20%, management believes that it is able to exert significant influence due to its involvement at board level.

Details of transactions with associates are disclosed under note 17 "Related Party Transactions" of these consolidated financial statements.

9. TRADE RECEIVABLES AND OTHERS

	2009	2008
	SR 000	SR 000
Trade receivables—net provision for doubtful debts (SR 4.5 million in 2009 and 2008)	**845,912**	948,647
Trade receivables—related party	**2,709**	57,042
Advance payments to purchase land	**121,194**	1,334,340
Advance for investments	**—**	250,000
Prepayments	**111,612**	152,295
	1,081,427	2,742,324

The fair value of financial assets included above approximates the carrying amount. The maximum credit taken for sales is less than 90 days which also represents the maximum ageing of trade receivables. No penalties are charged for delayed payments.

10. LONG-TERM BORROWINGS

	2009	2008
	SR 000	SR 000
Islamic Sukuk—International	**6,000,000**	6,000,000
Islamic Sukuk—Local	**750,000**	—
Islamic Murabaha	**1,604,742**	1,635,000
Total borrowing, end of the year	**8,354,742**	7,635,000
Less: Short-term borrowings	**2,700,000**	1,635,000
Long-term borrowings	**5,654,742**	6,000,000

10. LONG-TERM BORROWINGS (Continued)

Repayable as follows:

	2009	2008
	SR 000	SR 000
Within one year	**2,700,000**	1,635,000
In the second year	**600,000**	2,250,000
In the third to fifth years inclusive	**5,054,742**	3,750,000
	8,354,742	7,635,000

Analysis of borrowings:

Islamic Sukuk—International

This represents SR 6 billion of Islamic Sukuk comprising:

1) SR 2.25 billion (USD 600 million) of Islamic Sukuk carried in the books of the Group, which is issued by Dar International Sukuk Company at LIBOR plus profit margin of 2% and maturing in 2010.

2) SR 3.75 billion (USD 1 billion) of Islamic Sukuk carried in the books of the Group, which is issued by Dar Al Arkan International Sukuk Company at LIBOR plus profit margin of 2.25% and maturing in 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 Group with the rights to buy back the beneficial ownership of this land upon the repayment of the full amount of the Sukuk. The Group has issued a corporate guarantee to the Sukuk holders.

The Islamic Sukuk (International) is denoted in US dollars: since the Saudi Arabian Riyal is limited to fluctuations in the US Dollar there is no exposure to foreign exchange risk.

Islamic Sukuk—Local

This item represents an Islamic Sukuk issued by the Group for the amount of SR 750 million at SIBOR plus profit margin of 4%, maturing in 2014.

The Sukuk agreements include financial covenants, which the Group was in compliance with as at 31 December 2009.

Islamic Murabaha

This represents SR 1,800 million Murabaha facilities from local commercial banks, in the form of Islamic Murabaha, letters of guarantee and letters of credit comprising:

1) An amount of SR 400 million in the form of long-term Islamic Murabaha, which bears finance charges at prevailing rates between local banks plus an annual profit margin of 2.5%. The facility is repayable in eight equal semi-annual payments starting in 2010.

2) Amounts of SR 400 million in the form of short-term Islamic Murabahas bearing finance charges at prevailing rates between the local banks plus an annual profit margin ranging from 1.50% to 2.75%.

3) An amount of SR 500 million in the form of long-term Islamic Murabaha, which bear finance charges at prevailing rates between local banks plus an annual profit margin of 3.50% and matures in 2011.

10. LONG-TERM BORROWINGS (Continued)

4) An amount of SR 400 million in the form of long term Islamic Murabaha, which bear finance charges at prevailing rates between local banks plus an annual profit margin of 2.25% and matures in 2012. As at 31 December 2009, the Group has utilized SR 304.74 million. This facility is collateralized by specific assets of a subsidiary.

The facility agreements include certain financial covenants, such as current ratio and debt-equity ratio, which the Group was in compliance with as at 31 December 2009 and there were no defaults or breaches of loan terms during the current or preceding years.

11. END OF SERVICE INDEMNITIES

The Group provides end of service benefits to its employees in accordance with the labor law provision in Saudi Arabia.

The total cost charged to consolidated statement of comprehensive income for the year was SR 5.22 million (31 December 2008: SR 3.58 million).

12. TRADE PAYABLES AND OTHERS

	2009 SR 000	2008 SR 000
Trade payables	**470,957**	171,207
Accruals	**63,565**	93,923
Other payables	**11,497**	9,390
	546,019	274,520

Trade payables and others principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 14 days (31 December 2008: 15 days).

The fair value of financial liabilities included above approximates the carrying amount.

13. SHARE CAPITAL

	Year ended 31 December 2009	Year ended 31 December 2008
Authorized:		
1,080,000,000 ordinary shares of SR 10 each (31 December 2008: 720,000,000)	10,800,000	7,200,000
Issued and fully paid shares of SR 10 each		
At the start of the year	7,200,000	5,400,000
Issued during the year	3,600,000	1,800,000
At the end of the year	**10,800,000**	**7,200,000**

The Group has one class of ordinary shares which carry no right to fixed income.

On 7 July 2009 (corresponding to 14 Rajab 1430 H), the General Assembly of the Company held its extraordinary meeting and approved the increase in 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. The shareholders who were registered in the shareholders' records at the end of the trading day of 7 July 2009 (corresponding to 14 Rajab 1430 H) were granted one share for each two shares held at that date.

14. FINANCE COSTS

	Year ended 31 December 2009	Year ended 31 December 2008
	SR 000	SR 000
Charges on Sukuk	**87,152**	195,535
Charges on Islamic Murabaha	**53,690**	47,402
Bank charges	**5,388**	2,915
Amortization of finance costs	**22,337**	25,671
	168,567	271,523

During the year ended 31 December 2009 the Group had an average capitalization effective rate of 4.4%.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31 December 2009	Year ended 31 December 2008
	SR 000	SR 000
Earnings		
Earnings for the purpose of basic earnings per share (Net profit for the year)	**2,122,679**	2,356,247
Number of shares	Number	Number
Weighted average number of ordinary shares For the purposes of basic earnings per share	**1,080,000,000**	1,080,000,000

The denominators for the purpose of calculating both basic and diluted earnings per share for the year ended December 31, 2008 have been adjusted to reflect the increase in share capital from SR 7.2 billion to SR 10.8 billion (see note 13).

16. OPERATING LEASE ARRANGEMENTS

The minimum lease payments under non-cancellable operating lease rentals are as follows:

	2009	2008
	SR 000	SR 000
Amounts due:		
Within one year	**2,723**	2,451
Between one and five years	**6,484**	2,320
After five years	**5,350**	700
	14,557	**5,471**

17. RELATED PARTY TRANSACTIONS

During the year, the Group sold residential homes to individuals who sought financing from Saudi Home Loans, which is an associate to the Group. In these instances, Saudi Home Loans pays the consideration in respect of the residential property sale to the Group on behalf of the individual. There is no recourse to the Group if such lending by Saudi Home Loans results in a non performing receivable The

17. RELATED PARTY TRANSACTIONS (Continued)

balance receivable from with Saudi Home Loans as at 31 December 2009 is SR 2,709 thousand (31 December 2008: SR 57,042 thousand).

The Group entered into transactions with entities that have common Board Members or Shareholders to the Group as detailed below:

For the year ended 31 December 2009 and the year ended 31 December 2008, the Group entered into transactions with non-associate related parties in aggregate amounts of SR 12.4 million (US $ 3.3 million), SR 20.4 million (US $ 5.5 million), respectively, for the transactions related to general financial advisory services provided to the Group.

In addition the Group entered into certain other transactions with related parties that did not have a significant impact on the financial position or comprehensive income of the Group.

18. RETIREMENT BENEFIT PLANS

The Group makes payments to defined contribution retirement benefit plans in the form of the General Organisation of Social Insurance that are charged as an expense as they fall due. Payments are made on the basis of a percentage of qualifying salary for certain employees to this state-managed scheme.

The total cost charged to the consolidated statement of comprehensive income for the year ended 31 December 2009 was SR 1.99 million (31 December 2008: SR 1.0 million), and the outstanding contribution as at 31 December 2009 is SR 33 thousand (31 December 2008: nil).

19. CAPITAL MANAGEMENT

The Group manages its capital to insure that entities in the Group will be able to continue as a going concern while maximising the return to its parent company through optimisation of debt and equity balances. The Group's overall strategy remains unchanged from 2007.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 10, cash and cash equivalents and equity, comprising share capital, statutory reserve, and retained earnings. The Group is not subject to any externally imposed capital requirements.

Gearing ratio

The Group consistently monitors its gearing ratio, to ensure compliance with external covenant requirements.

20. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities are mainly comprised of Islamic Murabaha (term and annual revolving) facilities taken from banks, issue of Islamic Sukuk, trade payable and other payables to contractors and suppliers. The paramount objectives of these financial instruments are to raise the funding base for various projects as well as for the working capital requirement of the Group.

The Group also has financial assets in the form of bank deposits, cash in hand, due from related parties and subsidiaries and trade and other receivables, which are integral and directly derived out of its regular business. On the reporting date the Group has not entered into any financial derivative contracts by way of currency hedging, commission rate swap agreements or similar instruments.

The Group's financial operations are subject to following risks.

1. Credit Risk
2. Commission Rate Risk
3. Liquidity Risk
4. Foreign Currency Risk

20. FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk

The Credit Risk can be defined as a loss of value of an asset as a result of a failure by a customer or a counter party to such commercially valid and legally enforceable contract to comply with its obligations.

The general sales policy of the Group is "No Credit" terms, but in some cases there are enhanced payment schedules or staggered payment request by selected customers which have been accommodated. In such cases the Group has an exposure of credit risk with respect to the amount due from those customers. However, in such cases the Group holds back the final delivery or possession of the property to mitigate the risk until the full amount due is paid to the satisfaction of the contract. The monitoring and follow up of balances is completed regularly and as a result the Group's exposure to losses is limited.

With respect to the credit risk exposure of other financial assets, namely, due from related parties, bank deposits and other receivables, the maximum credit risk of the Group is limited to their carrying values, in case there is a failure of the other party to meet its obligation.

As of the reporting date, the Group does not have significant credit risk concentration with any single party or a group.

Commission Rate Risk

Commission Rate Risk is associated with a change in the commission rate available when renegotiating financial instruments, which are influenced by the current global financial market conditions. The Group is exposed to commission rate risk with respect to its floating commission covenants agreed for its long term Sukuk borrowings and other Islamic Murabaha (revolving credit) facilities obtained from local banks.

The short term revolving borrowings' rates are renegotiated at every renewal proposal to achieve the best possible commission rate to reflect the given financial credentials and related risk perception of the Group.

The Group does not have any derivative contract to manage its commission rate risk. The Group's Sukuk borrowings commission rates are based on LIBOR and its local borrowings are based on SIBOR. Hence the commission exposure of the Group is variable according to the changes in the LIBOR & SIBOR.

The commission rate sensitivity analysis is performed based on the commission rate exposure of the Group for floating rate liabilities outstanding at the end of the consolidated statement of financial position date. The calculations are done on floating commission rates assuming the liabilities outstanding for a whole year as at the consolidated statement of financial position date.

During the year under review the average rate of 3 months LIBOR varied between 1.45% and 0.25% (4.70% and 2.22% for 2008) and SIBOR varied between 2.50% and 0.64% (5.02% and 2.18% for 2008).

The sensitivity of commission variance on the Group's external borrowings which affects the consolidated financial statements of the Group is shown below:

	Year ended 31 December 2009	Year ended 31 December 2008
	SR 000	SR 000
+25 basis points	**20,887**	17,837
−25 basis points	**(20,887)**	(17,837)

The net profit of the Group for the reported year would have been affected by the above amount a as a result of such changes in floating commission rates. Due to the capitalization of borrowing costs directly

20. FINANCIAL RISK MANAGEMENT (Continued)

attributed to projects in progress, there would be timing differences on such an impact to the Group's current profit and loss account and the current impact would be limited to around 40%, as historically, the management capitalizes approximately 60% of borrowing costs to projects in progress as explained in note 2.9.

Liquidity Risk

Liquidity Risk can result from a difficulty to meet the financial commitments and obligations of the Group as per the agreed terms and covenants.

To mitigate the liquidity risk and associated losses of business and brand value opportunities; the Group, where possible, keeps sufficient liquid assets in all business conditions. The Group refrains from funding its long term capital requirements through short term borrowings and related party current account transactions. Currently the long term projects are funded from long term or revolving borrowings only. The Group also has a dynamic cash flow assessment policy and system by which it can estimate and plan the maturities as well as required resources to meet such obligations.

The weighted average effective commission rate for the years ended 31 December 2009 is 3.7% (5.4% for 2008).

See notes 10 and 12 for further details.

Foreign Currency Risk

Foreign Currency Risk is associated with the change in the value of the carrying value in the functional currency due to the variation of the underlying foreign currency obligation or right by way of transaction or translation reasons. The functional currency of the Group is the Saudi Riyal that is pegged against the US Dollar with a fixed exchange rate of 3.75 Saudi Riyals per US Dollar. Since transactions, other than US Dollars, are negligible; the Group does not assume any significant foreign currency risk.

21. COMMITMENTS

To complete the long term construction and development of investment and development properties, the Group have committed to a number of contractual arrangements and agreements. Such contracts are cancellable at the Group's discretion with no penalties. The estimated uncompleted contracts outstanding as at 31 December 2009 amounts to SR 680 million (31 December 2008: SR 1,061 million).

These commitments are expected to be settled within the duration of the projects in progress and shall be funded through prospective property sales and external borrowings, if necessary.

22. CONTINGENCIES

During the normal course of business there are general litigations and legal claims. Management takes legal advice as to the likelihood of success of claims and no provision is made when the action is unlikely to succeed.

At the 31 December 2009 there were no significant claims notified (31 December 2008: None).

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

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

Scope of Audit

We have audited the accompanying consolidated statement of financial position of Dar Al Arkan Real Estate Development Company (A Saudi joint stock company) as at December 31, 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and notes 1 to 28 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with International Financial Reporting Standards and presented to us with all the necessary information and explanations which we required. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Dar Al Arkan Real Estate Development Company as at December 31, 2008, and the consolidated results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards.

Deloitte & Touche
Bakr Abulkhair & Co.

/s/ Bakr A. Abulkhair
License No. 101

Muharram 20, 1430
January 17, 2009

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2008

	Notes	2008	2007
		SR'000	SR'000
ASSETS			
Non-current assets			
Investment properties	5	591,238	241,689
Development properties	6	13,478,482	9,877,238
Property and equipment, net	7	119,790	160,596
Investment in associates	8	1,120,000	75,000
Other assets		126,871	113,586
		15,436,381	10,468,109
Current assets			
Development properties	6	1,268,800	2,683,479
Trade receivables and others	9	2,742,324	1,875,874
Cash and cash equivalents	10	716,475	3,346,865
		4,727,599	7,906,218
TOTAL ASSETS		**20,163,980**	**18,374,327**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Non-current liabilities			
Long-term borrowings	11	6,000,000	6,000,000
End of service benefits	12	7,889	4,475
		6,007,889	6,004,475
Current liabilities			
Short-term borrowings	13	1,635,000	400,000
Trade payables and others	14	274,521	495,674
Current tax liabilities (Zakat)	15	510,074	473,929
		2,419,595	1,369,603
Shareholders' Equity			
Share capital	16	7,200,000	5,400,000
Statutory reserve		3,600,000	3,242,253
Retained earnings		936,496	2,357,996
		11,736,496	11,000,249
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**20,163,980**	**18,374,327**

The attached notes 1 to 28 form an integral part of the Consolidated Financial Statements

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

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008	2007
		SR'000	SR'000
REVENUE	17	**5,610,768**	4,925,933
Cost of sales		**(2,765,587)**	(2,517,924)
GROSS PROFIT		**2,845,181**	2,408,009
Administration expenses		**(98,955)**	(43,769)
Sales and marketing expenses		**(52,675)**	(39,086)
Depreciation		**(22,253)**	(18,441)
OPERATING PROFIT BEFORE FINANCING ACTIVITIES		**2,671,298**	2,306,713
Finance income	18	**4,377**	48,941
Finance costs	19	**(271,523)**	(318,840)
Other income		**12,518**	351
PROFIT BEFORE ZAKAT		**2,416,670**	2,037,165
Zakat expense		**(60,423)**	(28,591)
NET PROFIT FOR THE YEAR		**2,356,247**	2,008,574
Earnings per share:			
Basic and diluted	20	**3.27**	2.79

The attached notes 1 to 28 form an integral part of the Consolidated Financial Statements

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Statutory reserve	Retained earnings	Total shareholders' equity
	SR'000	SR'000	SR'000	SR'000
For the year ended 31 December 2008				
Balance at 1 January 2008 brought forward	5,400,000	3,242,253	2,357,996	11,000,249
Dividends paid	—	—	(1,620,000)	(1,620,000)
Profit for the year	—	—	2,356,247	2,356,247
Capital increase through transfer from Retained earnings	1,800,000	—	(1,800,000)	—
Transfer to statutory reserve	—	357,747	(357,747)	—
Balance at 31 December 2008 carried forward	**7,200,000**	**3,600,000**	**936,496**	**11,736,496**

	Share capital	Statutory reserve	Retained earnings	Total shareholders' equity
	SR'000	SR'000	SR'000	SR'000
For the year ended 31 December 2007				
Balance at 1 January 2007 brought forward	5,400,000	3,242,253	1,969,422	10,611,675
Dividends paid	—	—	(1,620,000)	(1,620,000)
Profit for the year	—	—	2,008,574	2,008,574
Balance at 31 December 2007 carried forward	**5,400,000**	**3,242,253**	**2,357,996**	**11,000,249**

The attached notes 1 to 28 form an integral part of the Consolidated Financial Statements

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

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

	2008 SR'000	2007 SR'000
OPERATING ACTIVITIES		
Profit before Zakat	**2,416,670**	2,037,165
Adjustments for:		
Depreciation	**22,253**	18,441
End of service benefits	**3,414**	
Finance income	**(4,377)**	(48,941)
Finance costs	**271,523**	318,840
Operating cash flows before movements in working capital	**2,709,483**	2,325,505
Increase in development properties	**(2,186,566)**	(2,787,228)
Increase in trade receivables and others	**(866,449)**	(318,258)
Increase in other assets	**(13,285)**	(111,073)
(Decrease)/increase in trade payables and others	**(221,153)**	211,359
Cash generated used in operations	**(577,970)**	(679,695)
Finance costs paid	**(271,523)**	(318,840)
Zakat paid during the year	**(24,278)**	—
NET CASH USED IN OPERATING ACTIVITIES	**(873,771)**	(998,535)
INVESTING ACTIVITIES		
Investment in associates	**(1,045,000)**	(75,000)
Payment on construction of investment properties—net	**(349,549)**	(241,689)
Decrease/(Increase) in property and equipment—net	**18,553**	(13,472)
Finance income received	**4,377**	48,941
NET CASH USED IN INVESTING ACTIVITIES	**(1,371,619)**	(281,220)
FINANCING ACTIVITIES		
Proceeds from the issue of Sukuk	**—**	6,000,000
Proceeds/(repayment) of Murabaha borrowings	**1,235,000**	(14,024)
Dividends paid	**(1,620,000)**	(1,620,000)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	**(385,000)**	4,365,976
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(2,630,390)**	3,086,221
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**3,346,865**	260,644
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**716,475**	3,346,865

The attached notes 1 to 28 form an integral part of the Consolidated Financial Statements

1. GENERAL INFORMATION

Dar Al Arkan Real Estate Development Company is an Islamic Shar'iah compliant Joint Stock Company established under the Company Laws & Regulations of The Kingdom of Saudi Arabia. The Company is registered under Commercial Registration No. 1010160195 dated 16/04/1421H, corresponding to 18/07/2000 G, issued in Riyadh. The Company is domiciled in The Kingdom of Saudi Arabia and its registered office address is P.O. Box No: 105633, Riyadh-11656, K.S.A.

The equity shares of the Company are listed with the security market of The Kingdom of Saudi Arabia.

The Company and its Subsidiaries are collectively called as "the Group" and is predominantly engaged in the business of development and sale of real estate projects and associated activities. The Company manages its activities through subsidiary divisions which are formed to establish the business lines in each of those areas. These Subsidiaries operates under their own commercial registration and are summarized below:

Name of the Company	Country of establishment	Ownership %	Main Activity
Dar Al-Arkan Properties Co. (Limited liability company)	K.S.A	100	Property management
Dar Al-Arkan Projects Co. (Limited liability company)	K.S.A	100	Development of residential and commercial properties
Dar Al-Arkan Investments Co. (Limited liability company)	K.S.A	100	Real Estate Investments

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

2.2 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

At the date of authorization of these consolidated financial statements, the following standards and amended standards were in issue but not yet effective, certain standards and amended standards were adopted early:

Standards, amended standards and interpretations adopted early:

IAS 1 Presentation of financial statements

Introduces new disclosure and format of the financial statements and has no effect of the value of equity. Since this early adoption, the format of the comparative financial statements has been restated to reflect the update to this standard.

IAS 23 Borrowing costs

The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition and construction of a qualifying asset (one which takes a substantial period of time to get ready for use or sale) as part of the cost of the asset. The option of immediately expensing borrowing costs is removed.

IAS 40 Investment properties

The amendment recognizes investment properties in the course of construction to be classified as investment properties directly and does not require these properties to be separately disclosed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 8 Operating segments

Amends the current segmental reporting requirements of IAS 14 and requires management to adopt segmental information as it is presented on the same basis for internal reporting purposes.

IFRIC 15 Agreements for the construction of real estates

The interpretation considers the practice of recognizing revenue by real estate developers for sale of units, clarification of this interpretation is consistent with the revenue recognition policy adopted by the Group, and therefore the interpretation has no effect on the results of the Group.

Standards, amended standards and interpretations not adopted early:

The directors anticipate that the adoption of the following standards; amended standards and interpretations in future periods will have no significant impact on the financial statements of the Group when the standards, amended standards and interpretation come into effect.

	Standard	Effective for annual periods beginning on or after
IFRS 1	First time adoption of international financial reporting standards	July 1, 2009
IFRS 2	Vesting conditions and cancellations	January 1, 2009
IFRS 3	Business combinations	July 1, 2009
IFRS 1 & IAS 27	Cost of an investment in a subsidiary, jointly controlled entity or associate	January 1, 2009
IAS 27	Consolidated and separate financial statements	July 1, 2009
IAS 32 & 1	Puttable financial instruments and obligations arising on liquidation	January 1, 2009
IAS 39	Eligible hedged items	July 1, 2009
IAS 39 & IFRS 7	Reclassification of financial assets	July 1, 2008
IFRIC 13	Customer loyalty programs	July 1, 2008
IFRIC 16	Hedges of a net investment in a foreign operation	October 1, 2008
IFRIC 17	Distribution of non-cash assets to owners	July 1, 2009

2.3 ACCOUNTING CONVENTION

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets at fair value, the principle accounting policies are set out below:

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements of the Group incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 December each year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit to the Group. Subsidiaries are fully consolidated from the effective date of acquisition or 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 as the fair value of the assets given, 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 in a business combination are initially measured at fair value at the acquisition date irrespective of the extent of any non-controlling interest. The interest of non-controlling shareholders is stated at the non-controlling proportion of the fair values of the assets and liabilities recognized. Subsequently, any losses applicable to the non-controlling interest in excess of the non-controlling interests are allocated against the interests of the parent.

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

All intra-group transactions, balances, and unrealized gains on transactions between Group companies are eliminated on consolidation. Unrealized 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 financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the consolidated financial position at the Group's share of the net assets of the associate. Losses of the associates in excess of the Group's interest in those associates are not recognized.

Any excess of cost of acquisition over the Group's share of the fair values of identifiable net assets acquired of the associate or joint venture 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 fair values of identifiable net assets of the associate or joint venture at the date of acquisition (i.e. discount on acquisition) is recognized in the consolidated statement of income.

Where a Group company transacts with an associate or joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest 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.

2.5 PROPERTY AND EQUIPMENT

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

Freehold buildings	3%
Plant and machinery	20%
Other 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 recognized in the consolidated statement of income.

At each date of preparation of the 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 recognized as an expense immediately.

2.6 INVESTMENT PROPERTY

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at cost less accumulated depreciation and any recognized 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%

Gains or losses arising from the retirement or disposal of investment properties being the difference between the net disposal proceeds and carrying value are included in the consolidated statement of income for the period of the retirement/disposal except those that relate to sale and leaseback arrangements.

2.7 DEVELOPMENT PROPERTIES

Development properties principally comprise, properties held for sale, developed land held for sale, property projects under construction, land projects under development and land waiting development.

Properties held for sale and developed land held for sale are completed projects, all other development properties are in the progress of development or waiting for development to commence.

All development properties are accounted for at the lower of cost and net realizable value. Cost comprises direct material cost, direct labor costs, borrowing costs and those overheads that have been incurred in bringing the development properties to their present location and condition. Cost is calculated using the average method. Net realizable value represents the estimated selling price less all estimated costs to completion and selling costs to be incurred.

The operating cycle of development properties is such that the majority of development properties will not be realized within 12 months. These have been split between non-current and current development properties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in the consolidated statement of income in the period in which they are incurred.

2.9 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized on the Group's consolidated financial position when the Group has become a party to the contractual provisions of the instrument.

Short-term investments

Short-term investments are financial assets held for trading and represent a portfolio of investments. Short-term investments are classified as fair value through profit or loss and are measured at fair value with gains and losses being recognized in the consolidated statement of income. Purchases and sales of short-term investments are recognized and derecognized on trade date.

Dividend income arising from short-term investments is recognized in the consolidated statement of income separately from gains and losses arising from changes in fair value and is disclosed within other income.

Trade receivables

Trade receivables are classified as loans and receivables and are initially recognized at fair value. They are subsequently measured at their amortized cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence, (including customers with financial difficulties or in default on payments), that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognized in the consolidated statement of income.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and other short-term deposits held by the Group with maturities of less than three months.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Financial liabilities include Islamic Sukuk, Islamic Murabahas and Bank Loans; these are recorded initially at their fair value. Direct transaction costs are subsequently carried at their amortized cost and are recognized in the consolidated statement of income over the term of the instrument.

Trade payables

Trade payables are initially recognized at fair value and subsequently at amortized cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 REVENUE RECOGNITION

Revenue represents the sale of development properties. Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and significant risks and rewards of ownership have been transferred to the buyer. Revenue is measured at the fair value of consideration received.

Revenue is recognized from the sale of development properties on legal completion or unconditional exchange.

2.11 ZAKAT TAXATION

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.

2.12 FOREIGN CURRENCIES

Transactions in currencies other than Saudi Riyals, the presentational and functional currency of the Group, are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the consolidated statement of income for the period, except for exchange differences on non-monetary assets and liabilities, which are recognized directly in equity.

2.13 STATUTORY RESERVE

According to the article (176) of the Companies' Regulation, the Group retains 10% of net income against the statutory reserve. The Group may stop the deductions when this reserve reaches 50% of the capital.

2.14 END OF SERVICE BENEFIT

The Group provides end of service benefits to its employees in accordance with the labor law provision of Saudi Arabia. The entitlement to these benefits is based upon the employee's final salary, length of service and the completion of a minimum service period. The costs of these benefits are accrued over the period of employment at the rate of the employee's current salary and are paid on cessation of employment.

2.15 RETIREMENT BENEFIT COSTS

The Group makes contributions in line with the General Organization for Social Insurance Regulations and are calculated as a percentage of employees' wages. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan. Payments made to defined contribution retirement benefit plans are charged as an expense as they fall due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 SEGMENT REPORTING

A business segment is a Group of assets and operations that provide a product or service and that is subject to risks and returns that are different from other business segments. A geographic segment is a Group of assets and operations that provide a product or service within a particular economic environment and that is subject to risks and returns that are different from segments operating in different economic environments.

2.17 LEASING

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience, internal controls, advice from external experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting judgments will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Investment Properties

Management identify projects or certain properties within projects which ownership will remain with the Group once development of the properties has completed. Ownership remains with the Group for long-term investment purposes which includes capital appreciation and rental income. When these properties are identified, they are categorized as Investment Properties whether the properties are under construction or completed.

Development Properties

The Group's development properties have been categorized between current and non-current development properties, management have categorized the individual project on a long term and short term nature dependent on its estimated completion date. If this is considered to be within 12 months of balance sheet date, the project has been categorized as a current development property.

Revenue Recognition

The Group recognizes revenue on the Group's development properties at legal completion or unconditional exchange when significant risks and rewards of ownership transfer to the buyer. It is management's judgment that revenue will not be recognized until legal completion as their involvement is such that the significant risks and rewards remain with the Group until completion.

Recognition of cost of sales

The Group's projects represent significant developments with a number of properties on each site. As such when properties are sold individually management make estimates using past experience and internal controls to average the costs of the project to each property. These estimates are reviewed regularly on a profit per project basis and updated where relevant.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management reporting purposes, management have organized the Group around three divisions which match its entity structure. These are in line with its strategic planning and business model and include DAR Projects, DAR Investments and DAR Properties. There are currently no revenue streams being recognized during the year from DAR Properties or DAR Investments, as such only one reportable segment is recognized as at 31 December 2008.

Geographical segments

The Group operates exclusively in Saudia Arabia and all its revenues derive from its portfolio of properties which the Group manages. As such there are no defined geographical segments.

5. INVESTMENT PROPERTIES

	2008
	SR'000
COST	
At 1 January 2008	**243,830**
Additions	**319,665**
Capitalization of borrowing costs	**30,739**
At 31 December 2008	**594,234**
ACCUMULATED DEPRECIATION	
At 1 January 2008	**2,141**
Charge during the year	**855**
At 31 December 2008	**2,996**
CARRYING AMOUNT	
At 31 December 2008	**591,238**

	2007
	SR'000
COST	
At 1 January 2007	
Additions	243,830
At 31 December 2007	**243,830**
ACCUMULATED DEPRECIATION	
At 1 January 2007	
Charge during the year	2,141
At 31 December 2007	**2,141**
CARRYING AMOUNT	
At 31 December 2007	**241,689**

Included within investment properties is land with an original cost of SR 218.8 million (2007 SR 218.8 million) which is not being depreciated. The market value of the investment properties is considered to be the carrying value, as the investment properties are currently under construction and their fair value cannot be reliably estimated until completion.

6. DEVELOPMENT PROPERTIES

	2008 SR'000	2007 SR'000
Property projects under development	**1,301,382**	1,017,539
Developed land	**2,978,237**	2,234,452
Land projects under development	**9,198,863**	6,625,247
Non-Current assets	**13,478,482**	9,877,238
Property projects under development	**1,148,200**	1,193,345
Developed land	**120,600**	1,490,134
Current assets	**1,268,800**	2,683,479
Total development properties	**14,747,282**	12,560,717

Included within Land projects under development are lands worth SR 3.7 billion, which represents the Group's share of co-ownership with third parties according to the contracts of land development.

The movement in development properties during the two years ended 31 December 2008 is as follows:

	Property projects under development SR'000	Developed land SR'000	Land projects under development SR'000	Total SR'000
Non-Current Assets				
Balance at 31 December 2006	**6,321,585**	**1,778,070**	**—**	**8,099,655**
Additions	—	1,588,748	1,295,090	2,883,838
Transfers	(5,304,046)	(1,132,366)	5,330,157	(1,106,255)
Balance at 31 December 2007	**1,017,539**	**2,234,452**	**6,625,247**	**9,877,238**
Additions	214,419	719,229	2,573,616	3,507,264
Capitalization of borrowing costs	69,424	—	—	69,424
Transfers	—	175,562	—	175,562
Disposals	—	(151,006)	—	(151,006)
Balance at 31 December 2008	**1,301,382**	**2,978,237**	**9,198,863**	**13,478,482**

	Property projects under development SR'000	Developed land SR'000	Total SR'000
Current Assets			
Balance at 31 December 2006	**1,614,283**	**752,714**	**2,366,997**
Additions	1,969,842	—	1,969,842
Transfers	127,145	737,420	864,565
Disposals	(2,517,925)	—	(2,517,925)
Balance at 31 December 2007	**1,193,345**	**1,490,134**	**2,683,479**
Additions	663,015	658,125	1,321,140
Capitalization of borrowing costs	—	54,324	54,324
Transfers	—	(175,562)	(175,562)
Disposals	(708,160)	(1,906,421)	(2,614,581)
Balance at 31 December 2008	**1,148,200**	**120,600**	**1,268,800**

7. PROPERTY AND EQUIPMENT, NET

	Land and buildings	Leasehold improvements	Vehicles	Plant and machinery	Office equipment	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
COST						
At 1 January 2008	**134,145**	**18,153**	**11,626**	**14,065**	**35,654**	**213,643**
Additions	**—**	**473**	**340**	**100**	**2,559**	**3,472**
Transfers	**(25,000)**	**—**	**—**	**—**	**—**	**(25,000)**
Disposals	**—**	**—**	**—**	**(22)**	**—**	**(22)**
At 31 December 2008	**109,145**	**18,626**	**11,966**	**14,143**	**38,213**	**192,093**
ACCUMULATED DEPRECIATION						
At 1 January 2008	**11,554**	**9,577**	**7,165**	**8,651**	**16,100**	**53,047**
Charge for the year	**5,667**	**3,549**	**2,152**	**2,680**	**8,205**	**22,253**
Transfers	**(2,997)**	**—**	**—**	**—**	**—**	**(2,997)**
At 31 December 2008	**14,224**	**13,126**	**9,317**	**11,331**	**24,305**	**72,303**
CARRYING AMOUNT						
At 31 December 2008	**94,921**	**5,500**	**2,649**	**2.812**	**13,908**	**119,790**

	Land and buildings	Leasehold improvements	Vehicles	Plant and machinery	Office equipment	Total
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
COST						
At 1 January 2007	**134,145**	**17,701**	**9,233**	**12,890**	**26,202**	**200,171**
Additions	—	452	2,393	1,175	9,452	13,472
At 31 December 2007	**134,145**	**18,153**	**11,626**	**14,065**	**35,654**	**213,643**
ACCUMULATED DEPRECIATION						
At 1 January 2007	**7,882**	**6,871**	**4,283**	**5,861**	**9,709**	**34,606**
Charge for the year	3,672	2,706	2,882	2,790	6,391	18,441
At 31 December 2007	**11,554**	**9,577**	**7,165**	**8,651**	**16,100**	**53,047**
CARRYING AMOUNT						
At 1 January 2007	**126,263**	**10,830**	**4,950**	**7,029**	**16,493**	**165,565**
At 31 December 2007	**122,591**	**8,576**	**4,461**	**5,414**	**19,554**	**160,596**

Included within land and buildings is land with an original cost of SR 9.5 million (2007: SR 9.5 million), which is not being depreciated.

8. INVESTMENT IN ASSOCIATES

The Group's investments in its associates are:

	2008	2007
	SR'000	SR'000
Investments, beginning of year	**75,000**	—
Acquisition during the year	**1,045,000**	75,000
Investments, end of year	**1,120,000**	75,000

8. INVESTMENT IN ASSOCIATES (Continued)

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

9. TRADE RECEIVABLES AND OTHERS

	2008 SR'000	2007 SR'000
Trade receivables—net provision for doubtful debts (SR 4.5 million)	**948,647**	490,206
Trade receivables—related party	**57,042**	3,576
Prepayments	**1,736,635**	1,382,092
	2,742,324	1,875,874

The directors consider that the carrying amount of trade receivables and others approximates to their fair value.

Prepayments include SR 1.3 billion and SR 250 million being advance payments to purchase lands and to acquire an investment respectively.

10. CASH AND CASH EQUIVALENTS

	2008 SR'000	2007 SR'000
Cash in hand	**314**	315
Cash at bank	**476,161**	2,006,320
Short-term deposits	**240,000**	1,340,230
	716,475	3,346,865

11. LONG-TERM BORROWINGS

	2008 SR'000	2007 SR'000
Islamic Sukuk	**6,000,000**	6,000,000
	6,000,000	6,000,000
The borrowings are repayable as follows:		
Within one year	**—**	—
In the second year	**2,250,000**	—
In the third to fifth years inclusive	**3,750,000**	2,250,000
After five years	**—**	3,750,000
Amounts due for settlement after 12 months	**6,000,000**	6,000,000

Analysis of borrowings:	**SR'000 Amount**	**% Rate**	**Maturity date**
Sukuk issue 1 (USD 600 million)	2,250,000	Libor + 200 bps	07 Mar 2010
Sukuk issue 2 (USD 1 billion)	3,750,000	Libor + 225 bps	17 Jul 2012
	6,000,000		

11. LONG-TERM BORROWINGS (Continued)

The beneficiary right is for Dar Al Arkan Real Estate Development Company and its subsidiaries. These Sukuk were issued through the sale of lands owned by the company with the right to buy back the beneficial ownership of these lands upon the repayment of the full amount of the Sukuk. The Company has issued a corporate guarantee to the Sukuk holders.

The Sukuk agreements include financial covenants relating to the minimum limit of shareholders' equity, total liabilities to total assets and the current ratio which the Company was in compliance with as at 31 December 2008.

There were no defaults or breaches of loan terms during the current or preceding period. The Islamic Sukuk is denoted in US dollars since the Saudi Arabian Riyal is limited to fluctuations in the US Dollar there is no exposure to foreign exchange risk.

12. END OF SERVICE BENEFITS

The Group provides end of service benefits to its employees in accordance with the labor law provision in Saudi Arabia.

The total cost charged to income for the year was SR 3.5 million (2007: SR 1.5 million).

13. SHORT-TERM BORROWINGS

	2008	2007
	SR'000	SR'000
Islamic Murabahas	**1,635,000**	400,000
	1,635,000	**400,000**

Islamic Murabha borrowings are arranged at floating rates of interest from 4.1% to 5.9% (2007: 7.5% to 7.7%). The Islamic Murabahas have been provided by various institutions, with issue dates spread throughout the year and are renewable under certain circumstances. These facilities are secured by promissory notes issued by the Company.

There were no defaults of breaches on borrowings terms during the current or preceding period.

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 Group was in compliance with as at 31 December 2008.

14. TRADE PAYABLES AND OTHERS

	2008	2007
	SR'000	SR'000
Trade payables	**171,207**	107,719
Other payables	**9,390**	2,649
Accruals	**93,924**	385,306
	274,521	495,674

Trade payables and others principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 15 days (2007: 20 days).

The directors consider that the carrying amount of trade payables and others approximates to their fair value.

15. ZAKAT TAXATION

The principal elements of Zakat base are as follows:

	2008 SR'000	2007 SR'000
Funds subject to Zakat:		
Capital and reserve brought forward	**8,642,254**	8,642,254
Net provision brought forward	**482,715**	452,389
Adjusted net income	**2,420,251**	1,143,643
Net retained earning brought forward	**737,996**	349,422
Islamic Sukuk	**6,000,000**	—
Total funds subject to Zakat	**18,283,216**	10,587,708
Deductible funds:		
Total deduction after adjustment	**15,866,296**	12,882,928
Zakat base	**2,416,920**	**(2,295,220)**
Zakat expense for the year	**60,423**	**28,591**

Zakat is calculated at 2.5% of the estimated assessable Zakat base for the year.

The net income for the year is adjusted as follows:

	2008 SR'000	2007 SR'000
Net income for the year	**2,416,670**	1,120,717
Provisions	**3,581**	1,758
Property and equipment computation differences	**—**	21,168
Adjusted net income	**2,420,251**	**1,143,643**

The movement in the current tax liability for Zakat during the year are as follows:

Balance brought forward	**473,929**	445,338
Zakat tax expense during the year	**60,423**	28,591
Zakat paid during the year	**(24,278)**	
Balance carried forward	**510,074**	**473,929**

The Group has filed the Zakat returns up to the year 2007 and made advance payment of SR 24.3 million during the year 2008. The latest Zakat certificate obtained by the Group was for the period ended 30/12/1423 H (corresponding to March 4, 2008).

16. SHARE CAPITAL

	2008 SR'000	2007 SR'000
Authorized:		
720,000,000 ordinary shares of SR 10 each (540,000,000 share in 2007)	**7,200,000**	5,400,000
Issued and fully paid shares of SR 10 each:		
At the start of the year, 540,000,000 (2007: 540,000,000) ordinary	**5,400,000**	5,400,000
Issued during the year, 180,000,000 (2007: Nil) ordinary	**1,800,000**	—
At the end of the year, 720,000,000 (2007: 540,000,000) ordinary	**7,200,000**	**5,400,000**

The Group has one class of ordinary shares which carry no right to fixed income.

16. SHARE CAPITAL (Continued)

During the year the Group has increased its equity share capital by issuing 180 million shares as bonus shares by transferring SR 1.8 billion from retained earnings.

17. SEGMENT REPORTING

	2008	2007
	SR'000	SR'000
REVENUES		
Sales of residential properties	**990,375**	1,321,177
Sales of Lands	**4,620,393**	3,604,756
Total	**5,610,768**	**4,925,933**
COST OF SALES		
Residential properties	**566,929**	697,476
Lands	**2,198,658**	1,820,448
Others	**—**	—
Total	**2,765,587**	**2,517,924**
GROSS MARGIN		
Residential properties	**423,447**	623,701
Lands	**2,421,735**	1,784,308
Total	**2,845,181**	**2,408,009**

18. FINANCE INCOME

	2008	2007
	SR'000	SR'000
Income from bank deposits	**4,377**	48,941

19. FINANCE COSTS

	2008	2007
	SR'000	SR'000
Charges on Sukuk	**195,535**	239,715
Charges on Islamic Murabahas/Participations	**47,402**	42,278
Bank charges	**2,915**	12,820
Amortization of finance costs	**25,671**	24,027
	271,523	**318,840**

20. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2008 SR'000	2007 SR'000
Earnings		
Earnings for the purposes of basic earnings per share (Net profit for the year)	**2,356,247**	2,008,574
Number of shares	**Number**	**Number**
Weighted average number of ordinary shares for the purposes of basic earnings per share	**720,000,000**	720,000,000

There is no dilution of ordinary shares and as such the basic and diluted earnings per share calculation are consistent.

21. OPERATING LEASE ARRANGEMENTS

The minimum lease payments under non-cancellable operating lease rentals are as follows:

	2008 SR'000	2007 SR'000
Amounts due:		
Within one year	**2,451**	930
Between one and five years	**2,320**	2,320
After five years	**700**	700
	5,471	**3,950**

22. RELATED PARTY TRANSACTIONS

During the year the Group sold residential properties to individuals, who sought financing from entities that are related to the Group. As a result, these related entities reimbursed the Group on behalf of these individuals. Below are the balances with related parties:

Related party	2008 SR'000	2007 SR'000
Kingdom Instalments Co.	**—**	3,576
Saudi Home Loans	**57,042**	—
	57,042	**3,576**

23. RETIREMENT BENEFIT PLANS

The Group makes payments to defined contribution retirement benefit plans in the form of the General Organization of Social Insurance that are charged as an expense as they fall due. Payments are made on the basis of a percentage of qualifying salary for certain employees to this state-managed scheme.

The total cost charged to income for the year was SR 1.0 million (2007: SR 0.9 million), and there were no outstanding contributions in the balance sheet date.

24. CAPITAL MANAGEMENT

The Group manages its capital to insure that entities in the Group will be able to continue as a going concern while maximizing the return to its parent company through optimization of debt and equity balances. The Group's overall strategy remains unchanged from 2007.

The capital structure of the Group consists of net debt, which includes the borrowing disclosed in note 11, cash and cash equivalents and equity, comprising share capital, statutory reserve, and retained earnings.

Gearing ratio

The Group consistently monitors its gearing ratio to ensure compliance with external covenant requirements.

25. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities are mainly comprised of Islamic Murabahas (term and annual revolving) facilities taken from banks, amounts due to related parties, issue of Islamic Sukuk, sundry liabilities and retention payables to contractors and other suppliers. The paramount objectives of these financial instruments are to raise the funding base for various projects as well as for the working capital requirement of the Group.

The Group also has financial assets in the form of bank deposits, cash in hand, due from related parties and subsidiaries and trade and other receivables, which are integral and directly derived out of its regular business. On the reporting date the Group has not entered into any financial derivative contracts by way of currency hedging, interest rate swap agreements or similar instruments.

The Group's financial operations are subject to following risks.

1. Credit Risk
2. Interest Rate Risk
3. Liquidity Risk
4. Foreign Currency Risk

Credit Risk

The Credit Risk can be defined as a loss of value of an asset as a result of a failure by a customer or a counter party to such commercially valid and legally enforceable contract to comply with its obligations.

The general sales policy of the Group is "No Credit" terms, but in some cases there are enhanced payment schedules or staggered payment request by selected customers which have been accommodated. In such cases the Group has an exposure of Credit Risk with respect to the amount due from those customers. However, in such cases the Group holds back the final delivery or possession of the property to mitigate the risk until the full amount due is paid to the satisfaction of the contract. The monitoring and follow up is regular and as a result the Group's exposure to losses is limited.

With respect to the Credit Risk exposure of other financial assets, namely, due from related parties, bank deposits and other receivables, the maximum Credit Risk of the Group is limited to its carrying value, in case there is a failure to meet its obligation by the other party.

As of the reporting date, the Group does not have significant Credit Risk concentration with any single party or a Group.

25. FINANCIAL RISK MANAGEMENT (Continued)

Interest Rate Risk

Interest Rate Risk is associated with the change in interest rate in global financial market. The Group is exposed to Interest Rate Risk with respect to its floating interest covenants agreed for its long term Sukuk borrowings and other Islamic Murabaha (revolving credit) facilities obtained from local banks.

The short term revolving borrowings rates are renegotiated at every renewal proposal to achieve the best possible interest rate matching with the given financial credentials and related risk perception of the Group.

The Group does not have any derivative contract to manage its Interest Rate Risk. The Group's Sukuk borrowings interest rates are based on LIBOR and its local borrowings are based on SIBOR. Hence the interest exposure of the Group is variable according to the changes in the LIBOR & SIBOR.

During the year under review the average rate of 3 months LIBOR varied between 4.70% and 2.22% (5.62% and 4.89% for 2007) and SIBOR varied between 2.18% and 5.02% (4.01% and 5.30% for 2007).

The sensitivity of an interest variance on the Group's external borrowings is shown below:

Rate of Interest Change

	2008	2007
	SR'000	SR'000
+25 basis points	**17,837**	16,000
−25 basis points	**(17,837)**	(16,000)

The Group's borrowings are primarily in US Dollars and Saudi Royale only. The financial assets of the Group mainly represent bank deposists or related party loans. The bank deposits are placed to earn better returns on its floating cash balances available with the Group.

Liquidity Risk

Liquidity Risk can result from a difficulty to meet the financial commitments and obligations of the Group as per the agreed terms and covenants.

To mitigate the risk of liquidity and associated losses of business and brand value opportunities, the Group, to the extent possible, keep sufficient liquid assets in all business conditions like boom, depression or normal. The Group refrain from funding its long term capital requirements through short term borrowings and related party current account transactions. Currently the long term projects are funded from long term or revolving borrowings only. Also the Group has a dynamic cash flow assessment policy and system by which it can estimate and plan the maturities as well as required resources to meet such obligations.

See notes 11, 13 and 14 for further details.

Foreign Currency Risk

Foreign Currency Risk is associated with the change in the value of the carrying value in functional currency due to the variation of the underline foreign currency obligation or right by way of transaction or translation reasons. The functional currency of the Group is the Saudi Riyal and the same is pegged against the US Dollar with a fixed exchange rate of 3.75 Saudi Riyals per US Dollar. Since the transactions other than US Dollars are negligible, the Group does not assume any significant foreign currency risk.

26. COMMITMENTS AND CONTINGENCIES

To complete the long term construction and development of investment and development properties, the Group have committed to a number of contractual arrangements and agreements. The estimated uncompleted contracts outstanding as on December 31, 2008 amounts to SR 1.1 billion (2007: SR 1.4 billion).

These commitments are expected to be settled within the duration of the projects in progress and shall be funded through prospective property sales and external borrowings, if necessary.

27. CONTINGENT LIABILITIES

During the normal course of business there are general litigations and legal claims. Management take legal advice as to the likelihood of success of claims and no provision is made when the action is unlikely to succeed.

At the 31 December 2008 there were no significant claims notified (2007: None).

28. COMPARATIVE FIGURES

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
AND ITS SUBSIDIARIES

Shareholding Company

RIYADH—KINGDOM OF SAUDI ARABIA

SPECIAL AUDITORS' REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2007

**DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
AND ITS SUBSIDIARIES**

Shareholding Company

Riyadh—Kingdom of Saudi Arabia

To: The Shareholders of
Dar Al Arkan Real Estate Development Company and its Subsidiaries
Riyadh—Kingdom Of Saudi Arabia

Special Auditors' Report

We have audited the consolidated balance sheet of **Dar Al Arkan Real Estate Development Company and its subsidiaries—Saudi Shareholding Company**—as at December 31, 2007 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended set out on pages 2 to 18. These consolidated financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidences supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Dar Al Arkan Real Estate Development Company and its subsidiaries**—as at December 31, 2007 and the results of its operations, changes in shareholders' equity and its consolidated cash flows for the year then ended in conformity with International Accounting Standards.

Talal Abu-Ghazaleh & Co.
Riyadh, Kingdom of Saudi Arabia

/s/ Abdulqadir A. Al-Wohaib
(License No. 48)

05 Safar 1429 H.
12 February 2008 G.

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY AND ITS SUBSIDIARIES

Shareholding Company

Riyadh—Kingdom of Saudi Arabia

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007

EXHIBIT A

	Note	2007 SR.	2006 SR
ASSETS			
Current Assets			
Cash and cash equivalents	(2C,3)	**3,346,864,936**	183,645,137
Accounts receivable, net	(2D,4)	**483,560,967**	480,658,726
Short-term investments	(2E,5)	**6,645,485**	77,000,000
Projects in progress	(6)	**2,244,735,073**	7,935,867,500
Developed lands		**551,387,179**	2,530,783,255
Other current assets	(7)	**601,418,420**	215,521,365
Due from related party	(8)	**3,576,494**	2,524,824
Total current assets		**7,238,188,554**	11,426,000,807
Non-Current Assets			
Projects in progress	(6)	**8,552,505,918**	—
Developed lands	(9)	**2,234,451,566**	—
Long-term investments	(2E,5)	**—**	87,510,000
Investments in capital of other companies	(2F,5)	**75,000,000**	—
Property and equipment	(2G,10)	**160,596,266**	165,565,132
Deferred charges	(2H,11)	**113,585,023**	2,512,164
Total non-current assets		**11,136,138,773**	255,587,296
Total Assets		**18,374,327,327**	11,681,588,103
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Islamic Murabaha	(12)	**400,000,000**	414,023,661
Projects' shareholders	(13)	**3,052,400**	34,530,092
Accounts payable	(14)	**104,666,993**	45,179,040
Accrued expenses and other payables	(15)	**861,882,477**	572,097,067
Due to related party	(8)	**—**	929,964
Total current liabilities		**1,369,601,870**	1,066,759,824
Non-Current Liabilities			
Islamic sukuk	(16)	**6,000,000,000**	—
Provision for end-of-service Indemnity	(2H,17)	**4,475,307**	3,152,478
Total non-current liabilities		**6,004,475,307**	3,152,478
Shareholders' Equity			
Capital	(18)	**5,400,000,000**	5,400,000,000
Statutory reserve	(19)	**3,242,253,763**	3,242,253,763
Retained earnings		**2,357,996,387**	1,969,422,038
Total shareholders' equity—Exhibit D		**11,000,250,150**	10,611,675,801
Total Liabilities and Shareholders' Equity		**18,374,327,327**	11,681,588,103

The accompanying notes from (1) to (26) constitute an integral part of these Consolidated Financial Statements

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY AND ITS SUBSIDIARIES

Shareholding Company

Riyadh—Kingdom of Saudi Arabia

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2007

EXHIBIT B

	Note	2007	2006
		SR.	SR.
Revenues	(2K)	**4,925,932,752**	4,352,587,354
Cost of revenues		**(2,517,924,572)**	(2,229,875,697)
Gross profit	(20)	**2,408,008,180**	2,122,711,657
Sales & marketing expenses	(2I, 21)	**(39,085,943)**	(15,658,479)
General and administrative expenses	(2I,22)	**(43,768,855)**	(24,887,542)
Participation expenses		**(12,591,077)**	(13,309,914)
Depreciation of property and equipment		**(18,440,619)**	(17,256,035)
Amortization of deferred charges		**(24,026,567)**	(1,099,508)
Net income from principal activities		**2,270,095,119**	2,050,500,179
Islamic Murabaha, net		**(6,156,444)**	—
Islamic Sukuk Expenses		**(271,922,708)**	—
Other income		**45,149,464**	33,666,923
Net income before Zakat		**2,037,165,431**	2,084,167,102
Estimated Zakat provision	(2J, 23)	**(28,591,082)**	(270,216,985)
Net profit for the year—Exhibit D		**2,008,574,349**	1,813,950,117
Earning per share	(25)	**3,7195**	3,3591

The accompanying notes from (1) to (26) constitute an integral part of these Consolidated Financial Statements

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY AND ITS SUBSIDIARIES

Shareholding Company

Riyadh—Kingdom of Saudi Arabia

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2007

EXHIBIT C

	2007	2006
	SR	SR
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year	**2,008,574,349**	1,813,950,117
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation of property and equipment	**18,440,619**	17,256,035
Amortization of deferred charges	**24,026,567**	1,099,508
Provision for end-of-service indemnity	**1,524,476**	1,375,040
Provision for doubtful accounts	**377,586**	350,521
Changes in Operating Assets and Liabilities		
Accounts receivable	**(3,279,827)**	(43,157,778)
Developed lands	**1,979,396,076**	(735,114,981)
Projects in progress	**5,691,132,427**	(342,956,776)
Other current assets	**(385,897,055)**	(136,930,198)
Net transactions with related parties	**(1,981,634)**	(1,594,860)
Projects' shareholders	**(31,477,692)**	(49,295,979)
Accounts payables	**59,487,953**	(49,692,284)
Accrued expenses & other payables	**289,785,410**	346,620,082
End-of-service benefits paid	**(201,647)**	(124,618)
Net cash from operating activities	**9,649,907,608**	821,783,829
Cash Flows from Investing Activities		
Additions to property and equipment	**(13,471,753)**	(49,296,530)
Deferred charges	**(135,099,426)**	—
Developed lands	**(2,234,451,566)**	—
Projects in progress	**(8,552,505,918)**	—
Investments	**82,864,515**	91,514,965
Net cash (used in) / from investing activities	**(10,852,664,148)**	42,218,435
Cash Flows from Financing Activities		
Islamic Sukuk	**6,000,000,000**	—
Islamic Murabaha	**(14,023,661)**	414,023,661
Dividends	**(1,620,000,000)**	(1,620,000,000)
Net cash from / (used in) financing activities	**4,365,976,339**	(1,205,976,339)
Increase / (Decrease) in cash and cash equivalents	**3,163,219,799**	(341,974,075)
Cash and cash equivalents, beginning of the year	**183,645,137**	525,619,212
CASH AND CASH EQUIVALENTS, END OF THE YEAR—EXHIBIT A	**3,346,864,936**	183,645,137

The accompanying notes from (1) to (26) constitute an integral part of these Consolidated Financial Statements

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY AND ITS SUBSIDIARIES

Shareholding Company

Riyadh—Kingdom of Saudi Arabia

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

EXHIBIT D

	Capital	Statutory Reserve	Retained Earnings	Total
	SR.	SR.	SR.	SR.
Shareholders Equity as of 1 January 2006	5,400,000,000	3,242,253,763	1,775,471,921	10,417,725,684
Dividends	—	—	(1,620,000,000)	(1,620,000,000)
Net Income for the year—Exhibit B	—	—	1,813,950,117	1,813,950,117
Shareholders Equity as of 31 December 2006—Exhibit "A"	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
Shareholders equity as of 31 December 2007—Exhibit A	5,400,000,000	3,242,253,763	2,357,996,387	11,000,250,150

The accompanying notes from (1) to (26) constitute an integral part of these Consolidated Financial Statements

1. BUSINESS ACTIVITIES AND LEGAL STATUS:

A. Dar Al Arkan Real Estate Development Company and its subsidiaries—Saudi Shareholding Company (referred to hereinafter as the "**Company**") operates under the Commercial Registration No. 1010160195 dated 16/4/1421H, issued in Riyadh.

The Company operates in the field of purchasing and possessing real estate and lands, constructing buildings for the purpose of investing thereof by renting or selling in favor of the company.

The Company operates in general construction of residential and commercial buildings (construction, maintenance, demolition and reconstruction), wholesale, and retail in sanitary materials, plumbing, electrical, paints, construction materials, office equipment and motor vehicles either in cash or by installment payments.

B. Assael Real Estate Company—Limited Liability Company (referred to hereinafter as the "**Subsidiary Company**") operates under the Commercial Registration No. 1010230572 dated 13/3/1428H, issued in Riyadh.

The Subsidiary Company operates in the field of lands, constructing buildings for the purpose of investing thereof by renting or selling in favor of the company.

The Subsidiary Company operates in general construction of buildings (construction, maintenance, demolition and reconstruction), wholesale, and retail in sanitary materials, plumbing, electrical, paints, construction materials, office equipment and motor vehicles either in cash or by installment payments.

The ownership of **Dar Al Arkan Real Estate Development Company** in this subsidiary is equal to 100%.

C. Maqar Real Estate Investment Company—Limited Liability Company (referred to hereinafter as the "**Subsidiary Company**") operates under the Commercial Registration No. 1010227784 dated 12/1/1428H, issued in Riyadh.

The Subsidiary Company operates in the field of purchasing lands, constructing buildings for the purpose of investing thereof by renting or selling in favor of the company.

The Subsidiary Company operates in general construction of residential and commercial buildings, wholesale, and retail in sanitary materials, plumbing, electrical, paints, construction materials, office equipment and motor vehicles.

The ownership of **Dar Al Arkan Real Estate Development Company** in this subsidiary is equal to 100%.

The accompanying consolidated financial statements include assets, liabilities and the results of operation of the commercial registrations mentioned above.

2. SIGNIFICANT ACCOUNTING POLICIES:

a. Statement of Compliance:

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards promulgated by International Accounting Standards Board and the requirement of the Kingdom of Saudi Arabia Commercial is company law.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

b. Accounting Convention:

These consolidated financial statements have been prepared from the accounting records of the company under the historical cost convention using accrual basis and going concern concept.

c. Cash and cash equivalents:

Cash comprises cash on hand and unrestricted cash at banks. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows short-term deposits maturing within three months or less of the balance sheet date is considered cash equivalents.

d. Accounts Receivable:

Accounts receivable are stated in the accompanying balance sheet at their estimated net realizable value after deducting the related provision for doubtful accounts (if any). The provision for doubtful accounts is estimated based on analysis of the collectible balances of the accounts receivable at the end of the year.

e. Investments:

This item represents investment in other companies' projects against determined percentage of the profit of this project as per contracts.

f. Investment in Capital of other companies:

The company is classifying the investments, "which represent 20%to 50% of ownership equities or voting interests" as investment in capital of other companies. The investments with more than 50% ownership or voting interest are classified as investments in subsidiaries companies.

The equity method is used to evaluate and record these investments. The unrealized revenues are considered in the consolidated statements of income in accordance with the financial statements of investee and subsidiary companies.

g. Property and equipment:

Property and equipment are stated at cost net of accumulated depreciation. Depreciation is computed by using the straight-line methods over the estimated useful lives of the assets are as follows:

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

h. Deferred charges:

The company amortizes deferred charges using the straight-line method over five years.

i. Provision for End-of-Service Indemnity:

At the balance sheet date employees' terminal benefits are calculated under the framework of the Saudi Regulations for Labor and Workmen.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

j. Zakat Provision:

Zakat is measured and recognized in the statement of income for each financial period pursuant to Zakat Regulation in the Kingdom of Saudi Arabia. The provision for Zakat is reconciled in the financial year in which the final assessment of Zakat is issued. Variances between the amount of provision for Zakat and the final assessment are recognized in the statement of income as changes in accounting estimates and included in the financial period in which the final assessment of Zakat is issued.

k. Revenue Recognition:

Revenue from rendering of services is generally recognized upon selling the projects and relinquishing their ownership, which concurrently coincide with the issuance of sales contracts.

l. General, Administrative & Marketing Expenses

General, administrative, and marketing expenses are measured and recognized as a period cost at the time when such expenses are incurred. Expenses benefiting more than one financial period are allocated over such periods using their historical cost.

m. Foreign Currency Transactions:

Transactions in foreign currencies are converted into Saudi Riyals at rates of exchange ruling at the date of these transactions. Asset and liabilities at the balance sheet date are converted into Saudi Riyals at rates of exchange prevailing at the balance sheet date. Gains or losses resulting from the variation in exchange rates are taken currently to statement of income.

3. CASH AND CASH EQUIVALENTS:

This item is summarized as follows:

	2007	2006
	SR.	SR.
Cash on hand	**315,037**	179,188
Unrestricted bank current accounts	**2,006,319,097**	183,465,949
Islamic deposits	**1,340,230,802**	—
Total—Exhibit A	**3,346,864,936**	183,645,137

4. ACCOUNTS RECEIVABLE, NET:

This item is summarized as follows:

	2007	2006
	SR.	SR.
Accounts receivable	**488,039,495**	484,759,668
Provision for doubtful accounts	**(4,478,528)**	(4,100,942)
Accounts receivable, net—Exhibit A	**483,560,967**	480,658,726

5. INVESTMENTS:

A. Short-term investment:

This item represents the company's participation in financing investment projects of other companies according to authenticated contracts for achieving gains on the share of those companies' profits

5. INVESTMENTS: (Continued)

through their projects during financial periods ranging from one year "short-term" and two years "long-tem".

B. Investment in capital of other companies:

Name of the Company	Ownership %	2007
		SR.
Saudi Financing Company (Sahel) (Under establishment)	**15%**	**75,000,000**

6. PROJECTS IN PROGRESS:

A Short-term projects in progress:

This item is summarized as follows:—

	2007	2006
	SR.	SR.
Villas	**727,108,988**	2,445,552,380
Lands	**1,517,626,085**	5,490,315,120
Total—Exhibit A	**2,244,735,073**	7,935,867,500

Short-term projects in progress represent the expenditure on projects which were executed by the company for purpose of resale within short term period.

B Long-term projects in progress:

This item is summarized as follows:—

	2007
	SR.
Villas	**2,691,685,247**
Lands	**5,860,820,671**
Total—Exhibit A	**8,552,505,918**

Long-term projects in progress represent projects of villas and lands owned by the company. These projects will be transferred to the company's assets once they are completed.

7. OTHER CURRENT ASSETS:

This item is summarized as follows:—

	2007	2006
	SR.	SR.
Prepaid expenses	**8,447,313**	2,535,249
Letters of credit & guarantees	**—**	376,292
Islamic Murabaha expenses	**—**	4,703,277
Refundable deposits	**—**	14,576,452
Accrued revenue	**491,419**	—
Employees advances and imprests	**2,485,094**	3,395,659
Advance payments to supliers	**588,409,464**	178,600,000
Others	**1,585,130**	11,334,436
Total—Exhibit A	**601,418,420**	215,521,365

8. RELATED PARTIES:

A. Due from related party:

The movement in this account during the year was as follows:

	2007
	SR.
Beginning balance of the year	**2,524,824**
Sales	**355,478,215**
Collections	**(354,426,545)**
Ending balance—Exhibit A	**3,576,494**

This item represents the operating transactions with Mamlakat Alttaqsit Company and its balance as of 31 December 2007.

B. Due to related party:

The movement in this account during the year was as follows:

	2007
	SR.
Beginning balance	**929,964**
Executed works during the year	**366,213,754**
Payments	**(367,143,718)**
Ending balance—Exhibit A	**—**

This item represents the operating transactions with Manazel for Construction and Building Company and its balance as of 31 December 2007.

9. DEVELOPED LANDS:

This item represents lands owned by the company developed for the purpose of construction of projects belong to the Company.

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY AND ITS SUBSIDIARIES

Shareholding Company

Riyadh—Kingdom of Saudi Arabia

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. PROPERTY AND EQUIPMENT:

The details of property and equipment costs, accumulated depreciation thereof and related net book value are as follows:

	Buildings and lands	Vehicles	Furniture and fixtures	Electrical appliances	Leasehold improvements	Prefabricated houses	Tools	Signboards	Total
	SR.	SR.	SR.	SR.	SR.	SR.	SR.	SR.	SR.
Cost									
Balance at 1/1/2007	134,145,850	9,232,784	15,849,852	10,352,171	12,134,660	8,619,208	4,270,453	5,566,648	200,171,626
Additions	—	2,392,585	4,653,976	4,798,668	451,761	—	1,174,763	—	13,471,753
Balance at 31/12/2007	**134,145,850**	**11,625,369**	**20,503,828**	**15,150,839**	**12,586,421**	**8,619,208**	**5,445,216**	**5,566,648**	**213,643,379**
Accumulated depreciation									
Balance at 1/1/2007	7,882,251	4,283,485	5,311,556	4,358,733	4,027,177	3,557,469	2,303,215	2,882,608	34,606,494
Additions	3,671,997	2,881,937	3,887,445	2,542,185	1,882,425	1,958,254	831,388	784,988	18,440,619
Balance at 31/12/2007	**11,554,248**	**7,165,422**	**9,199,001**	**6,900,918**	**5,909,602**	**5,515,723**	**3,134,603**	**3,667,596**	**53,047,113**
Net book value 31/12/2007—Exhibit A	**122,591,602**	**4,459,947**	**11,304,827**	**8,249,921**	**6,676,819**	**3,103,485**	**2,310,613**	**1,899,052**	**160,596,266**
Net book value 31/12/2006—Exhibit A	126,263,599	4,949,299	10,538,296	5,993,438	8,107,483	5,061,739	1,967,238	2,684,040	165,565,132

11. DEFERRED CHARGES, NET:

This item is summarized as follows:

	2007	2006
	SR.	SR.
Deferred charges—Beginning balance	**5,497,540**	5,497,540
Additions during the year	**135,099,426**	—
Amortization	**(27,011,943)**	(2,985,376)
Deferred charges, net—Exhibit A	**113,585,023**	2,512,164

12. ISLAMIC MURABAHA:

This item represents Islamic Murabaha with local banks as of 31 December 2007.

13. PROJECTS' SHAREHOLDERS:

This item represents the amount of participation by shareholders for the purpose of projects' development.

14. ACCOUNTS PAYABLE:

The details of this item are as follows:

	2007	2006
	SR.	SR.
Contractors	**98,675,715**	39,220,281
Suppliers	**5,991,278**	5,958,759
Total—Exhibit A	**104,666,993**	45,179,040

15. ACCRUED EXPENSES AND OTHERS:

The details of this item are as follows:

	2007	2006
	SR.	SR.
Accrued expenses	**3,922,138**	3,494,326
Islamic sukuk	**70,622,708**	—
Murabaha expenses	**21,891,208**	14,275,557
Zakat provision—note (23)	**473,928,553**	445,337,471
Advances from customers	**288,869,010**	105,705,868
Others	**2,648,860**	3,283,845
Total—Exhibit A	**861,882,477**	572,097,067

16. ISLAMIC SUKUK:

This item amounting to SR 6,000,000,000 (1.6 Billion U.S Dollar) represents the value of Islamic Sukuk issued by International Dar for Sukuk in 2007, with beneficial right for Dar Al Arkan Real Estate Development Company. The returned earning from Sukuk will be paid to its holders on quarterly basis, while the original amount (1.6 Billion U.S Dollar) will be paid at maturity according to the agreements thereof.

17. PROVISION FOR END-OF-SERVICE INDEMNITY:

The details of this account are as follows:

	2007	2006
	SR.	SR.
Balance, beginning of the year	**3,152,478**	1,902,056
Allocated to expenses	**1,524,476**	1,375,040
Settlement during the year	**(201,647)**	(124,618)
Balance, end of the year—Exhibit A	**4,475,307**	3,152,478

18. CAPITAL:

The Company's capital is SR. 5,400,000,000 divided into 540,000,000 equal ordinary shares of SR 10 each.

19. PROFITS & RESERVES:

The company distributes the annual net profit after deducting the general expenses and costs as follows:

—Zakat duties deductions.

—According to the article (176) of the Companies' Regulation, the Company retains 10% of net income against statutory reserve. The company may stop the deductions when this reserve reaches one half of the capital.

—Initial payment to the shareholders equals 5% of paid up capital from the remaining profit.

—10% of net profit devoted as a reward to the board of directors and the remaining to the shareholders as an additional share of profit.

20. GROSS PROFIT:

	2007			2006
Description	**Revenues**	**Cost**	**Gross Profit**	**Gross Profit**
	SR.	SR.	SR.	SR.
Lands	3,604,755,860	(1,820,447,550)	**1,784,308,310**	1,573,941,365
Villas	1,321,176,892	(697,477,022)	**623,699,870**	548,770,292
Total	**4,925,932,752**	**(2,517,924,572)**		
Gross profit—Exhibit B			**2,408,008,180**	2,122,711,657

21. SALES AND MARKETING EXPENSES:

The details of this item are as follows:

	2007	2006
	SR.	SR.
Salaries and wages	**5,349,989**	4,140,915
Advertising	**20,403,091**	7,054,569
Marketing consultancy	**1,586,255**	—
Meetings and exhibitions	**9,307,040**	2,627,600
Incentives and bonuses	**2,240,206**	1,640,897
Other	**199,362**	194,498
Total—Exhibit B	**39,085,943**	15,658,479

22. GENERAL AND ADMINISTRATIVE EXPENSES:

The details of this item are as follows:

	2007	2006
	SR.	SR.
Salaries and wages	**21,165,775**	14,073,157
End of service indemnity	**1,524,476**	1,375,040
Incentives and bonuses	**7,041,943**	1,080,214
Subscription fees	**1,368,086**	837,953
Printings & stationery	**1,524,194**	865,214
Social insurance	**949,470**	843,667
Repairs and maintenance	**1,072,573**	490,218
Fuel	**734,835**	468,838
Insurance	**2,230,348**	1,088,663
Consulting and training	**1,401,576**	1,250,438
Provision for doubtful accounts	**377,586**	350,521
Cleaning and entertainment	**1,566,028**	321,811
Water, electricity and telephone	**2,214,809**	862,594
Other	**597,156**	979,214
Total—Exhibit B	**43,768,855**	24,887,542

23. ZAKAT:

(a) The component elements of Zakat base are as follows:

	2007	2006
	SR.	SR.
Funds subject to Zakat		
Capital and reserve, beginning of the year	**8,642,253,763**	8,642,253,763
Provisions at beginning of the year, net	**452,389,244**	180,648,345
Adjusted net income—Note (23/b)	**1,143,643,276**	2,091,982,255
Net retained earnings, beginning of the year	**349,422,038**	155,471,921
Total funds subject to Zakat	**10,587,708,321**	11,070,356,284
Deductible funds		
Total funds deducted from Zakat base after adjustment	**12,882,928,505**	261,676,888
Zakat base	**(2,295,220,184)**	10,808,679,396
Zakat provision—Exhibit B	**28,591,082**	270,216,985

(b) Adjusted net income:

	2007	2006
	SR.	SR.
Net income for the year—Exhibit B	**1,120,716,798**	2,084,167,102
Provisions	**1,757,727**	1,725,561
Property and equipment computation differences	**21,168,751**	6,089,592
Adjusted net income—Note 23/a	**1,143,643,276**	2,091,982,255

(c) The details of the provision for Zakat during the year are as follows:

	2007	2006
	SR.	SR.
Provision Balance, beginning of the year	**445,337,471**	175,120,486
Provision for Zakat for current year—estimated	**28,591,082**	270,216,985
Estimated Zakat provision- note (15)	**473,928,553**	445,337,471

(d) The latest zakat certificate obtained by the company was for the period ended 30/12/1428H.

(e) Deductible amounts were adjusted by property and equipment computation difference as per article (17) of Zakat regulation and developments thereof No. M/1 dated 15/1/1428H for the purpose of computing Zakat dues.

(f) The results of operation of the subsidiary companies were excluded as they have not completed one full year in operation—note (24).

24. THE CONDENSED FINANCIAL STATEMENTS OF SUBSIDIARIES:

(a) Assael Real Estate Company—Limited Liability Company:

—Balance sheet as of 31 December 2007:

	2007 SR
Assets	
Total Current Assets	**1,425,525,519**
Total Non-Current Assets	**4,207,365,260**
Total Assets	**5,632,890,779**
Liabilities and Shareholders' Equitiy	
Liabilities	
Total Current Liabilities	**158,029,265**
Total Non-Current Liabilities	**4,826,441,345**
Total Liabilities	**4,984,470,610**
Shareholders' Equity	
Total Shareholders' Equity	**648,420,169**
Total Liabilities and Shareholders' Equity	**5,632,890,779**

—Income statement for the period from 1 April 2007 to 31 December 2007:

	For the period from 1 April 2007 to 31 December 2007 SR
Revenue	**1,276,391,724**
Cost of revenue	**(621,753,432)**
Gross Income	**654,638,292**
Expenses	**(6,718,123)**
Net income for the period	**647,920,169**

—The above financial statements have been audited with auditor report dated 21 January 2008.

24. THE CONDENSED FINANCIAL STATEMENTS OF SUBSIDIARIES: (Continued)

(b) Maqar Real Estate Investing Company—Limited Liability Company:

—Balance sheet as of 31 December 2007:

	2007
	SR
Assets	
Total Current Assets	**1,525,687,939**
Total Non-Current Assets	**3,858,488,357**
Total Assets	**5,384,176,296**
Liabilities and Shareholders' Equity	
Liabilities	
Total Current Liabilities	**162,670,764**
Total Non-Current Liabilities	**4,952,477,066**
Total Liabilities	**5,115,147,830**
Shareholders' Equity	
Total Shareholders' Equity	**269,028,466**
Total Liabilities and Shareholders' Equity	**5,384,176,296**

—Income statement for the period from 2 February 2007 to 31 December 2007:

	For the period from 2 February 2007 to 31 December 2007
	SR
Revenue	**685,295,209**
Cost of revenue	**(409,341,255)**
Gross Income	**275,953,954**
Expenses	**(7,425,488)**
Net income for the period	**268,528,466**

—The above financial statements have been audited with auditor report dated 20 January 2008.

25. EARNING PER SHARE:

The earning per share was computed by dividing the net profit for the period on number of shares at the end of the period which equals to 540,000,000 ordinary shares.

26. GENERAL:

The figures in the financial statements are rounded to the nearest Saudi Riyal except the amounts related to earning per share.

ISSUER

Dar Al-Arkan International Sukuk Company II
c/o Maples Finance Limited
P.O. Box 1093, Queensgate House
Grand Cayman, KY1-1102
Cayman Islands

INVESTMENT MANAGER

Al-Arkan Sukuk Company
Maathar Street
P.O. Box 105633, Riyadh 11656
Kingdom of Saudi Arabia

GUARANTOR

Dar Al-Arkan Real Estate Development Company
Maathar Street
P.O. Box 105633, Riyadh 11656
Kingdom of Saudi Arabia

DELEGATE

Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

PRINCIPAL PAYING AGENT, REPLACEMENT AGENT AND CALCULATION AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

REGISTRAR AND TRANSFER AGENT

(in respect of the Unrestricted Certificates)

Deutsche Bank Luxembourg S.A.
2 Boulevard Konrad Adenaur
L-115 Luxembourg

REGISTRAR, PAYING AGENT AND TRANSFER AGENT

(in respect of the Restricted Certificates)

Deutsche Bank Trust Company Americas
60 Wall Street, 27th Floor
Mailstop NYC 60-2710
New York, NY 10005
United States of America

JOINT LEAD MANAGERS

Deutsche Bank Securities Inc.
18th Floor
60 Wall Street
New York, NY 10005
United States of America

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

Unicorn Investment Bank B.S.C.
P.O. Box 31700
Manama
Kingdom of Bahrain

LEGAL ADVISERS TO THE ISSUER AND THE GUARANTOR

To the Issuer and the Guarantor as to English law

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

To the Issuer and the Guarantor as to Saudi law

Law office of Mohammed Al Sheikh
in association with White & Case LLP
7th Floor, Tower 1, Al-Tatweer Towers
King Fahad Highway
P.O. Box 17411, Riyadh 11484
Kingdom of Saudi Arabia

To the Issuer and the Guarantor as to United States law

White & Case LLP
1155 Avenue of the Americas
New York, New York
10036-2787
United States of America

To the Issuer as to Cayman Islands law

Maples and Calder
5th Floor, The Exchange Building
Dubai International Financial Centre
P.O. Box 119980
United Arab Emirates

LEGAL ADVISERS TO THE JOINT LEAD MANAGERS AND DELEGATE

To the Joint Lead Managers as to English and United States law

Linklaters LLP
Suite 4, Third Floor
Gate Precinct Building 3
Dubai International Financial Centre
P.O. Box 506516
United Arab Emirates

To the Joint Lead Managers as to Saudi law

Law Office of Abdulaziz H. Fahad
Jarir Plaza
P. O. Box 15870
Olaya Street, Riyadh 11454
Kingdom of Saudi Arabia

To the Delegate as to English law

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

STATUTORY AUDITORS TO THE GUARANTOR

Deloitte & Touche Bakr Abulkhair & Co.
Olaya Main Street
P.O. Box 213, Riyadh 11411
Kingdom of Saudi Arabia

Merrill Corporation Ltd, London
09ZEE43201