

DAR AL ARKAN
REAL ESTATE DEVELOPMENT COMPANY
Saudi Shareholding Company

Riyadh – Kingdom of Saudi Arabia

**REVIEW REPORT AND INTERIM
FINANCIAL STATEMENT FOR THE PERIOD
FROM 1 JANUARY 2007 TO 30 JUNE 2007**

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
Saudi Shareholding Company
Riyadh – Kingdom of Saudi Arabia

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Offices

Amman

Cairo

Riyadh

Jeddah

Al-Khobar

Kuwait

Abu Dhabi

Al-Ain

Dubai

Sharjah

Ajman

R.A.K

Fujaira

Doha

Manama

Muscat

Sana'a

Hodeidah

Taiz

Aden

Beirut

Damascus

Tunis

Tripoli

Baghdad

Khartoum

Ramallah

Casablanca

THE SHAREHOLDERS

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

Subject: Review Report

We have reviewed the accompanying balance sheet of **DAR AL ARKAN REAL ESTATE DEVELOPMENT – Saudi Shareholding Company** – as of 30 June 2007 and the statements of income, cash flows and changes in shareholders' equity for the period from 1 January 2007 to 30 June 2007. These financial statements have been prepared by the company's management and submitted to us along with the entire information requested. Our review was based on interim financial reporting standard set forth by the Saudi Organization for Certified Public Accountants. The review consisted principally of analytical procedures and inquiries of company personnel regarding financial data. It is substantially less in scope than audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements, therefore, we will not express such opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements in order for them to be in conformity with generally accepted accounting principles.

**Date: 5 Rajab 1428 H.
19 July 2007 G.**

Signature:
Abdul Qader A. Al-Wahaib
(License No. 48)



DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
Saudi Shareholding Company
Riyadh – Kingdom of Saudi Arabia

INTERIM BALANCE SHEET AS AT 30 JUNE 2007

EXHIBIT A

	Note	30 June 2007 SR.	30 June 2006 SR.
ASSETS			
Current Assets			
Cash and cash equivalents	(3)	901,861,743	750,548,542
Accounts receivable, net	(4)	645,793,512	380,658,745
Short term investments	(5)	77,000,000	121,024,965
Projects under construction	(6)	9,535,571,419	8,261,701,535
Developed projects	(7)	2,971,756,729	1,660,954,215
Prepaid expenses and others	(8)	986,221,440	194,658,984
Due from related party	(9)	2,416,762	2,524,824
Total current assets		15,120,621,605	11,372,071,810
Non-Current Assets			
Land		9,545,400	--
Long term investments	(5)	37,510,000	135,000,000
Fixed assets, net	(10)	148,613,395	126,525,257
Deferred charges, net	(11)	53,500,790	2,970,292
Total Non-Current Assets		249,169,585	264,495,549
TOTAL ASSETS		15,369,791,190	11,636,567,359
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Islamic Murabaha	(12)	870,000,000	134,700,000
Projects' shareholders	(13)	9,964,392	41,036,817
Accounts payable	(14)	67,764,097	65,654,852
Accrued expenses and others	(15)	658,352,976	189,225,658
Due to related party	(16)	1,723,932	-
Total current liabilities		1,607,805,397	430,617,327
Non-Current Liabilities			
Islamic Sukuk	(17)	2,250,000,000	--
Provision for end-of-service benefits	(18)	3,898,790	2,250,468
Total Non-Current Liabilities		2,253,898,790	2,250,468
Shareholders' Equity			
Capital	(19)	5,400,000,000	5,400,000,000
Statutory reserve	(20)	3,242,253,763	3,242,253,763
Retained earnings		2,865,833,240	2,561,445,801
Total shareholders' equity - Exhibit D		11,508,087,003	11,203,699,564
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		15,369,791,190	11,636,567,359

**THE ACCOMPANYING NOTES FROM (1) TO (25) CONSTITUTE AN INTEGRAL
PART OF THESE INTERIM FINANCIAL STATEMENTS**

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
Saudi Shareholding Company
Riyadh – Kingdom of Saudi Arabia

INTERIM STATEMENT OF INCOME FOR THE PERIOD
FROM 1 JANUARY To 30 JUNE 2007

EXHIBIT B

	Note	For the period from 1 January 2007 To 30 June 2007 SR.	For the period from 1 January 2006 To 30 June 2006 SR
Revenues		1,954,753,871	1,734,146,738
Cost of revenues		(941,746,297)	(904,798,762)
Gross income	(21)	1,013,007,574	829,347,976
Principal activities expenses:			
Sales and marketing expenses	(22)	(10,723,715)	(9,548,658)
General and administrative expenses	(23)	(12,815,552)	(11,244,907)
Participation expenses		(6,632,738)	(15,530,428)
Depreciation of fixed assets		(7,739,898)	(6,999,380)
Amortization of deferred charges		(6,751,468)	(641,380)
Net income from principal activities		968,344,203	785,383,223
Results of other activities :			
Murabaha charges		(34,910,754)	--
Sukuk expenses		(52,736,875)	--
Other income		18,351,472	590,657
Net income for the period before withholding tax		899,048,046	785,973,880
Withholding tax		(2,636,844)	--
Net income for the period - Exhibit D		896,411,202	785,973,880

***THE ACCOMPANYING NOTES FROM (1) TO (25) CONSTITUTE AN INTEGRAL
PART OF THESE INTERIM FINANCIAL STATEMENTS***

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
Saudi Shareholding Company
Riyadh – Kingdom of Saudi Arabia

**INTERIM STATEMENT OF CASH FLOWS FOR THE
PERIOD FROM 1 JANUARY 2007 TO 30 JUNE 2007**

EXHIBIT C

	For the period from 1 January 2007 To 30 June 2007 SR.	For the period from 1 January 2006 To 30 June 2006 SR.
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	896,411,202	785,973,880
Adjustment for:		
Depreciation of fixed assets	7,739,898	6,999,380
Amortization of deferred charges	6,751,468	641,380
Provision for end-of-service benefits	746,312	348,412
Provision for doubtful accounts	126,415	--
Changes in current assets and liabilities		
Decrease in accounts receivable, net	(165,261,201)	57,192,724
(Increase) / Decrease in developed projects	(440,973,474)	134,714,059
(Increase) in projects under construction	(1,599,703,919)	(668,790,811)
(Increase) in prepaid expenses and others	(770,700,075)	(116,067,817)
Decrease / (Increase) in due from related party	108,062	(2,524,824)
(Decrease) in projects' shareholders	(24,565,700)	(42,789,254)
Increase / (Decrease) in accounts payable	22,585,057	(29,216,472)
Increase / (Decrease) in accrued expenses and others	86,255,909	(36,251,327)
Increase in due to related party	793,968	--
Net cash (used in) / form operating activities	(1,979,686,078)	90,229,330
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition fixed assets	(333,561)	--
Deferred Charges	(57,740,094)	--
Investments	50,000,000	--
Net cash (used in) investing activities	(8,073,655)	--
CASH FLOWS FROM FINANCING ACTIVITIES		
Islamic Murabaha	455,976,339	134,700,000
Islamic Sukuk	2,250,000,000	--
Net cash from financing activities	2,705,976,339	134,700,000
Increase in cash and cash equivalents	718,216,606	224,929,330
Cash and cash equivalents, beginning of the period	183,645,137	525,619,212
CASH AND CASH EQUIVALENTS, END OF THE PERIOD -	901,861,743	750,548,542
EXHIBIT A		

**THE ACCOMPANYING NOTES FROM (1) TO (25) CONSTITUTE AN INTEGRAL
PART OF THESE INTERIM FINANCIAL STATEMENTS**

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
Saudi Shareholding Company

Riyadh – Kingdom of Saudi Arabia

INTERIM STATEMENT OF SHAREHOLDERS' EQUITY FOR THE
PERIOD FROM 1 JANUARY 2007 TO 30 JUNE 2007

EXHIBIT D

	<u>Capital</u>	<u>Statutory</u>	<u>Retained</u>	<u>Total</u>
	SR.	Reserve	Earnings	SR.
		SR.	SR.	
Shareholder's Equity as of 1 January 2007	5,400,000,000	3,242,253,763	1,969,422,038	10,611,675,801
Net Income for the period – Exhibit B	--	--	896,411,202	896,411,202
Shareholders' Equity as of 30 June 2007- Exhibit "A"	<u>5,400,000,000</u>	<u>3,242,253,763</u>	<u>2,865,833,240</u>	<u>11,508,087,003</u>

*THE ACCOMPANYING NOTES FROM (1) TO (25) CONSTITUTE AN INTEGRAL
PART OF THESE INTERIM FINANCIAL STATEMENTS*

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
Saudi Shareholding Company

Riyadh – Kingdom of Saudi Arabia

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1- STATUS AND ACTIVITIES:

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY – 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.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles of the Kingdom of Saudi Arabia, The significant accounting policies applied in the preparation of these financial statements are as follows:

a) Accounting Convention:

These financial statements have been prepared under the historical cost convention using accrual basis and going concern concept.

b) Cash and Cash Equivalents:

For the purpose of preparing the cash flows statement, cash and cash equivalents include cash on hand, unrestricted current accounts with banks and Islamic deposits of maturity dates in less than three months(if any).

c) 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.

d) Investments:

This item represents investments in other companies' projects against determined percentage of the profit of these projects as per contracts, and the investments compliant with shareia.

e) Fixed Assets:

Fixed assets are stated at cost net of accumulated depreciation thereof up to the date of the financial statements, Depreciation is computed using the straight – line method over their estimated useful lives as per the following annual rates of depreciation:

Buildings	3%
Vehicles	25%
Furniture and fixtures	20-25%
Electrical appliances	20-25%
Leasehold improvements	5-20%
Prefabricated houses	25%
Tools	20%
Signboards	20%

f) Deferred charges:

The company amortizes deferred charges using the straight-line method over five years.

g) Provision for End-of-Service Indemnity:

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

h) 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 settled 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 on which the final assessment of Zakat is issued.

i) 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.

j) General, Administrative and 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.

k) 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:

The details of this item are as follows:

	<u>30 June 2007</u>	<u>30 June 2006</u>
	SR.	SR.
Cash on hand	485,632	560,523
Checking accounts with local banks in Saudi Riyal	901,376,111	749,988,019
Total – Exhibit A	<u>901,861,743</u>	<u>750,548,542</u>

4- ACCOUNTS RECEIVABLE, NET :

The details of this item are as follows:

	<u>30 June 2007</u>	<u>30 June 2006</u>
	SR.	SR.
Accounts receivable	650,020,869	384,409,166
Provision for doubtful accounts	(4,227,357)	(3,750,421)
Accounts receivable, net – Exhibit A	<u>645,793,512</u>	<u>380,658,745</u>

5- **INVESTMENTS:**

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 through these projects, during financial periods ranging from one year "short-term" and two years "long-term".

6- **PROJECTS UNDER CONSTRUCTION:**

The details of this item are as follows:

	<u>30 June 2007</u>	<u>30 June 2006</u>
	SR.	SR.
Villas	3,114,232,424	2,459,445,848
Lands	6,421,338,995	5,802,255,687
Total – Exhibit A	<u>9,535,571,419</u>	<u>8,261,701,535</u>

7- **DEVELOPED PROJECTS:**

This item represents projects owned by the company developed for the purpose of resale.

8- **PREPAID EXPENSES AND OTHERS:**

The details of this item are as follows:

	<u>30 June 2007</u>	<u>30 June 2006</u>
	SR.	SR.
Prepaid expenses	1,865,923	1,551,621
Secro account	--	14,380,290
Letters of guarantee	--	458,541
Employees advances and imprests	2,621,872	2,657,984
Advance payments to contractors	630,408,385	168,756,197
Advance payments to land suppliers	342,569,364	--
Others	8,755,896	6,854,351
Total – Exhibit A	<u>986,221,440</u>	<u>194,658,984</u>

9- **DUE FROM RELATED PARTY:**

This item represents the balance of operating transactions with Kingdom Installment Company as of 30 June 2007.

10- FIXED ASSETS, NET:

The details of fixed assets costs, accumulated depreciation thereof and related net book value are as follows:

Cost	Buildings	Vehicles	Furniture & Fixtures	Electrical Appliances	Leashold Improvements	Prefabricated houses	Tools	Signboards	Total
	SR.	SR.	SR.	SR.	SR.	SR.	SR.	SR.	SR.
Balance at 1/1/2007	124,600,450	9,232,784	15,849,852	10,352,171	12,134,660	8,619,208	4,270,453	5,566,648	190,626,226
Additions for the period	-	-	-	-	333,561	-	-	-	333,561
Balance at 30/06/2007	124,600,450	9,232,784	15,849,852	10,352,171	12,468,221	8,619,208	4,270,453	5,566,648	190,959,787
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
Depreciation for the period	2,031,015	911,524	1,358,411	874,792	519,034	1,018,292	357,851	668,979	7,739,898
Balance at 30/06/2007	9,913,266	5,195,009	6,669,967	5,233,525	4,546,211	4,575,761	2,661,066	3,551,587	42,346,392
Net book value 30/06/2007 - Exhibit A	114,687,184	4,037,775	9,179,885	5,118,646	7,922,010	4,043,447	1,609,387	2,015,061	148,613,395

11- **DEFERRED CHARGES, NET:**

Deferred charges are stated at net amount after deducting the provision for amortization as follows:

	<u>30 June 2007</u>	<u>30 June 2006</u>
	SR.	SR.
Deferred charges, beginning balance	5,497,540	5,497,540
Additions	57,740,094	--
Amortization	<u>(9,736,844)</u>	<u>(2,527,248)</u>
Deferred charges, net - Exhibit A	<u>53,500,790</u>	<u>2,970,292</u>

12- **ISLAMIC MURABAHA :**

This item represents Islamic Murabaha with local banks as of 30 June 2007.

13- **PROJECTS' SHAREHOLDERS:**

This item represents the amount of participation by investors for the purpose of projects' development.

14- **ACCOUNTS PAYABLE:**

The details of this item are as follows:

	<u>30 June 2007</u>	<u>30 June 2006</u>
	SR.	SR.
Contractors	64,758,473	60,584,124
Suppliers	<u>3,005,624</u>	<u>5,070,728</u>
Total – Exhibit A	<u>67,764,097</u>	<u>65,654,852</u>

15- **ACCRUED EXPENSES AND OTHERS:**

The details of this item are as follows:

	<u>30 June 2007</u>	<u>30 June 2006</u>
	SR.	SR.
Accrued expenses	2,625,433	2,985,458
Accrued Sukuk expenses	10,594,375	--
Accrued murabaha charges	14,545,716	--
Withholding tax	2,636,844	--
Zakat provision	445,337,471	175,120,486
Advances from customers	176,297,440	5,434,300
Others	<u>6,315,697</u>	<u>5,685,414</u>
Total – Exhibit A	<u>658,352,976</u>	<u>189,225,658</u>

16- **DUE TO RELATED PARTY:**

This item represents the balance of operating transactions with Manazel Building and Construction Company as of 30 June 2007.

17- ISLAMIC SUKUK:

This item represents of Islamic sukuk amounted to SR 2,250,000,000 (US\$600Million) issued by Dar International Sukuk Company in March 2007 for the benefit of Dar Al Arkan Real Estate Company for which the payments to the sukuk holders will be paid quarterly starting from June 2007 and the final maturity in March 2010.

18- PROVISION FOR END-OF-SERVICE BENIFITES:

The details of this account are as follows:

	<u>30 June 2007</u>	<u>30 June 2006</u>
	SR.	SR.
Balance, beginning of the period	3,152,478	1,902,056
Allocated to expenses	746,312	348,412
Balance, end of the period – Exhibit A	<u>3,898,790</u>	<u>2,250,468</u>

19- CAPITAL:

The Company's capital is SR. 5,400,000,000 divided to 540,000,000 equal shares of SR 10 each and all are ordinary shares.

20- 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 deductions can be stopped by the company 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.

21- GROSS INCOME:

Description	For the period from 1 January 2007 to 30 June 2007			For the period from
	Revenues	Cost	Gross Income	1 January 2006 To
	SR.	SR.	SR.	30 June 2006
				Gross Income
				SR
Lands	1,207,201,790	(585,154,361)	622,047,429	509,269,416
Villas	747,552,081	(356,591,936)	390,960,145	320,078,560
Total	<u>1,954,753,871</u>	<u>(941,746,297)</u>	<u>1,013,007,574</u>	<u>829,347,976</u>
Gross income – Exhibit "B"			<u>1,013,007,574</u>	<u>829,347,976</u>

22- SALES AND MARKETING EXPENSES:

The details of this item are as follows:

	For the period from 1 January 2007 To 30 June 2007	For the period from 1 January 2006 To 30 June 2006
	SR.	SR
Salaries and wages	2,347,686	2,245,057
Advertising	4,357,147	3,973,268
Marketing consulting	586,214	--
Meetings and exhibitions	1,810,273	1,781,453
Incentives and bonuses	1,299,642	1,255,232
Others	322,753	293,648
Total – Exhibit B	10,723,715	9,548,658

23- GENERAL AND ADMINISTRATIVE EXPENSES:

The details of this item are as follows:

	For the period from 1 January 2007 To 30 June 2007	For the period from 1 January 2006 To 30 June 2006
	SR.	SR
Salaries and wages	7,617,276	7,021,339
End of service benefits	746,312	348,412
Incentives and bonuses	577,923	503,931
Subscription fees	405,245	396,195
Printings & stationery	532,714	425,604
Social insurance	233,713	165,888
Repairs and maintenance	438,627	334,743
Fuel	197,623	195,545
Insurance	352,641	344,722
Consulting and training	485,912	275,483
Provision for doubtful accounts	126,415	--
Cleaning and entertainment	186,912	120,664
Water, electricity and telephone	482,314	298,522
Others	431,925	813,859
Total – Exhibit B	12,815,552	11,244,907

24- INTERIM RESULTS:

The interim operation results are not indication of the whole year's results of operation.

25- GENERAL:

The figures in the financial statements are rounded to the nearest Saudi Riyal.