

DAR AL ARKAN
REAL ESTATE DEVELOPMENT COMPANY
Saudi Shareholding Company

Riyadh – Kingdom of Saudi Arabia

**REVIEW REPORT AND CONSOLIDATED
INTERIM FINANCIAL STATEMENT FOR
THREE MONTHS ENDED 31 MARCH 2008
(UNAUDITED)**

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

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FROM: TALAL ABU-GHAZALEH & CO. – CERTIFIED PUBLIC ACCOUNTANTS
TO: 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 consolidate interim balance sheet of **DAR AL ARKAN REAL ESTATE DEVELOPMENT – Saudi Shareholding Company** – as of 31 March 2008 and the consolidated statements of income, cash flows and changes in shareholders' equity for the three months ended 31 March 2008. 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 the 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 consolidated financial statements in order for them to be in conformity with generally accepted accounting standards.

Date: 8 Rabia II 1429 H.
14 April 2008 G.

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

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

CONSOLIDATED INTERIM BALANCE SHEET AS AT 31 MARCH 2008
(UNAUDITED)

EXHIBIT A

	Note	31 March 2008 SR.	31 March 2007 SR.
ASSETS			
Current Assets			
Cash and cash equivalents	(4)	1,699,651,989	1,685,613,956
Accounts receivable, net	(5)	356,988,238	423,051,441
Short-term investments	(6)	--	77,000,000
Projects in progress – short-term	(7)	3,105,123,110	9,145,733,400
Developed lands – short-term		779,328,411	2,638,635,167
Prepaid expenses and others	(8)	230,789,645	618,189,602
Due from related party	(9)	89,437,494	3,178,495
Total current assets		<u>6,261,318,887</u>	<u>14,591,402,061</u>
Non-Current Assets			
Long-term projects in progress	(7)	10,559,801,005	--
Long-term developed lands	(10)	1,973,563,038	--
Long-term investments	(6)	175,000,000	--
Investments in companies capitals	(6)	--	37,510,000
Fixed assets, net	(11)	156,366,386	161,493,613
Deferred charges, net	(12)	104,610,882	58,640,805
Total Non-Current Assets		<u>12,969,341,311</u>	<u>257,644,418</u>
TOTAL ASSETS		<u><u>19,230,660,198</u></u>	<u><u>14,849,046,479</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Islamic Murabaha	(13)	800,000,000	819,600,000
Projects' shareholders	(14)	--	21,526,233
Accounts payable	(15)	156,608,057	59,741,539
Accrued expenses and others	(16)	816,067,744	656,817,895
Due to related party		--	1,561,463
Total current liabilities		<u>1,772,675,801</u>	<u>1,559,247,130</u>
Non-Current Liabilities			
Islamic Sukuk	(17)	6,000,000,000	2,250,000,000
Provision for end-of-service benefits	(18)	4,976,139	3,519,117
Total Non-Current Liabilities		<u>6,004,976,139</u>	<u>2,253,519,117</u>
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		<u>2,810,754,495</u>	<u>2,394,026,469</u>
Total shareholders' equity - Exhibit D		<u>11,453,008,258</u>	<u>11,036,280,232</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>19 230 660 198</u>	<u>14 849 046 479</u>

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

CONSOLIDATED INTERIM STATEMENT OF INCOME FOR
THE PERIOD FROM 1 JANUARY TO 31 MARCH 2008
(UNAUDITED)

EXHIBIT B

	Note	For the period from 1 January 2008 To 31 March 2008 SR.	For the period from 1 January 2007 To 31 March 2007 SR
Revenue		1,234,165,207	912,976,196
Cost of revenue		<u>(647,462,837)</u>	<u>(460,164,340)</u>
Gross profit	(21)	586,702,370	452,811,856
Principal activities expenses:			
Sales and Marketing expenses	(22)	(6,265,494)	(3,975,415)
General and administrative expenses	(23)	(16,016,964)	(6,111,093)
Participation expenses		(1,220,960)	(3,511,042)
Depreciation of fixed assets		(5,847,639)	(4,071,519)
Amortization of deferred charges		<u>(8,974,141)</u>	<u>(1,611,453)</u>
Net income from principal activities		548,377,172	433,531,334
Results of other activities :			
Islamic Murabha, net		(10,664,886)	(15,949,746)
Islamic Sukuk Charges		(93,773,607)	(11,328,629)
Other revenue		<u>8,819,429</u>	<u>18,351,472</u>
Net income for the period - Exhibit D		452,758,108	424,604,431
Earning per share for the first quarter 2008	(24)	<u>0.8384</u>	<u>0.7863</u>

***THE ACCOMPANYING NOTES FROM (1) TO (26) CONSTITUTE AN INTEGRAL
PART OF THESE CONSOLIDATED INTERIM FINANCIAL STATEMENTS***

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
Saudi Shareholding Company

Riyadh – Kingdom of Saudi Arabia

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE
 PERIOD FROM 1 JANUARY 2008 TO 31 MARCH 2008
 (UNAUDITED)

EXHIBIT C

	For the period from 1 January 2008 To 31 March 2008	For the period from 1 January 2007 To 31 March 2007
	SR.	SR.
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	452,758,108	424,604,431
Adjustment for:		
Depreciation of fixed assets	5,847,639	4,071,519
Amortization of deferred charges	8,974,141	1,611,453
Provision for end-of-service benefits allocated to expenses	500,832	366,639
Provision for doubtful accounts	--	73,521
Changes in operating assets and liabilities		
Decrease in accounts receivable	126,572,729	57,533,764
(Increase) in developed lands – short-term	(860,388,037)	(107,851,912)
(Increase) in projects in progress – short-term	(227,941,232)	(1,209,865,900)
Decrease / (Increase) in prepaid expenses and others	370,628,775	(402,668,237)
Due from related party – net transactions	(85,861,000)	(22,172)
(Decrease) in projects' shareholders	(3,052,400)	(13,003,859)
Increase in accounts payable	51,941,064	14,562,499
(Decrease) / Increase in accrued expenses and others	(45,814,732)	84,720,828
<i>Net cash (used in) operating activities</i>	(205,834,113)	(1,145,867,426)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,639,759)	--
Deferred Charges	--	(57,740,094)
Developed lands, long-term	260,888,528	--
Projects in progress, long-term	(2,007,295,088)	--
Investments	(93,354,515)	50,000,000
Proceeds from sale of fixed assets	22,000	--
<i>Net cash (used in) investing activities</i>	(1,841,378,834)	(7,740,094)
CASH FLOWS FROM FINANCING ACTIVITIES		
Islamic Sukuk	--	2,250,000,000
Islamic Murabaha	400,000,000	405,576,339
<i>Net cash from financing activities</i>	400,000,000	2,655,576,339
(Decrease) / Increase in cash and cash equivalents	(1,647,212,947)	1,501,968,819
Cash and cash equivalents, beginning of the period	3,346,864,936	183,645,137
CASH AND CASH EQUIVALENTS AT END OF		

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
Saudi Shareholding Company

Riyadh – Kingdom of Saudi Arabia

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM 1 JANUARY 2008 TO 31 MARCH 2008
(UNAUDITED)

EXHIBIT D

	Capital	Statutory Reserve	Retained Earnings	Total
	SR.	SR.	SR.	SR.
Total Shareholders Equity as of 1 January 2008	5,400,000,000	3,242,253,763	2,357,996,387	11,000,250,150
Net Income for the period – Exhibit B	--	--	452,758,108	452,758,108
Total Shareholders Equity as of 31 March 2008- Exhibit "A"	5,400,000,000	3,242,253,763	2,810,754,495	11,453,008,258

*THE ACCOMPANYING NOTES FROM (1) TO (26) CONSTITUTE AN INTEGRAL
PART OF THESE CONSOLIDATED 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- THE COMPANY AND IT'S TWO SUBSIDIARY COMPANIES, AND THE NATURE OF BUSINESS:

- A- 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.

- 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 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 buildings (construction, maintenance, demolition and reconstruction), wholesale, and retail in sanitary materials, plumbing, electrical, paints, construction materials, office equipment and motor vehicles.

- 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.

2- PREPARATION BASES:

The accompanying consolidated financial statements have been prepared as per the financial statements standards issued by Saudi Organization for Certified Public Accountants (SOCPA). The significant accounting policies adopted by the company in preparing the consolidated financial statements are in consistency with the annual report of the company for the year ended 31 December 2007 are as follows:

Principles of financial statements consolidation:

The company has investments in the two subsidiary companies, which each work as per separate commercial registration – note (1/B and 1/C).

Company's Name	Establishment Country	Ownership Percentage		Main Activities
		2008	2007	
Assael Real Estate Company Limited liability company	Kingdom of Saudi Arabia	100%	100%	Purchase, sale and lease of lands after development and construction.
Maqar Real Estate Investment Company Limited liability company	Kingdom of Saudi Arabia	100%	100%	Purchase, sale and lease of lands after development and construction.

3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying consolidated interim 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.

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 and implements	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 Benefits:**

Provision for end-of-service benefits 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 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 on which the final assessment of Zakat is issued.

i) **Islamic Sukuk:**

Islamic Sukuk are stated in debt instruments against quarterly revenue for holders.

j) **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.

k) **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.

l) **Foreign Currency Transactions:**

Transactions in foreign currencies are converted into Saudi Riyals at rates of

4- **CASH AND CASH EQUIVALENTS:**

The details of this item are as follows:

	<u>31 March 2008</u>	<u>31 March 2007</u>
	SR.	SR.
	(Unaudited)	(Unaudited)
Cash on hand	373,079	497,031
Checking accounts with local banks in Saudi Riyal	1,699,278,910	635,116,925
Islamic Deposits – short-term	--	1,050,000,000
Total – Exhibit A	1,699,651,989	1,685,613,956

5- **ACCOUNTS RECEIVABLE, NET :**

The details of this item are as follows:

	<u>31 March 2008</u>	<u>31 March 2007</u>
	SR.	SR.
	(Unaudited)	(Unaudited)
Accounts receivable	361,466,766	427,225,904
Provision for doubtful accounts	(4,478,528)	(4,174,463)
Accounts receivable, net – Exhibit A	356,988,238	423,051,441

6- **INVESTMENTS:**

- a) 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".

- b) Investments in companies' capital:

The details of this item are as follows:

<u>Company's name</u>	<u>Percentage</u>	<u>31 March 2008</u>
		SR.
		(Unaudited)
Saudi Financing Company "Sahal" (under establishment)	15%	75,000,000
Saudi Capital Unicorn Company (under establishment)	33.34%	100,000,000
Total – Exhibit A		175,000,000

7- **PROJECTS IN PROGRESS:**

a) **Projects in progress – short-term:**

The details of this item are as follows:

	<u>31 March 2008</u>	<u>31 March 2007</u>
	SR.	SR.
	(Unaudited)	(Unaudited)
Villas	1,512,241,745	2,796,001,868
Lands	1,592,881,365	6,349,731,532
Total – Exhibit A	3,105,123,110	9,145,733,400

- Projects in progress, short-term represent expenses on projects made by the company in the purpose of resale in short time.

b) **Projects in progress – long-term:**

The details of this item are as follows:

	<u>31 March 2008</u>
	SR.
	(Unaudited)
Villas	3,845,193,564
Lands	6,714,607,441
Total – Exhibit A	10,559,801,005

- Projects in progress, long-term represent projects of villas and lands owned by the company and will be transferred to the company's assets when accomplished.

8- **PREPAID EXPENSES AND OTHERS:**

The details of this item are as follows:

	<u>31 March 2008</u>	<u>31 March 2007</u>
	SR.	SR.
	(Unaudited)	(Unaudited)
Prepaid expenses	5,371,225	1,544,618
Islamic Murabha charges	--	2,066,667
Employees advances and imprests	1,732,576	2,412,547
Advance payments to suppliers	223,599,303	603,550,294
Others	86,541	8,615,476
Total – Exhibit A	230,789,645	618,189,602

9- **DUE FROM RELATED PARTY:**

a) The details of this item are as follows:

	<u>31 March 2008</u>
	SR.
	(Unaudited)
Balance at beginning of the period	3,576,494
Sales	89,437,494
Collections	(3,576,494)
Total at end of the period – Exhibit A	89,437,494

b) This item represents operating transactions with Kingdom of Installments Company and its balance as of 31 March 2008.

10- **DEVELOPED LANDS:**

This item represents lands owned by the company developed for the purpose of constructing projects for the company thereon.

ASSETS, NET:

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

	Buildings		Vehicles		Furniture & Fixtures		Electrical Appliances		Leashold Improvements		Prefabricated houses		Tools		Signboards		Total	
	SR.	Unaudited	SR.	Unaudited	SR.	Unaudited	SR.	Unaudited	SR.	Unaudited	SR.	Unaudited	SR.	Unaudited	SR.	Unaudited	SR.	Unaudited
08	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									
period		54,000	769,224	456,535	-	-	-	360,000	1,639,759									
08	134,145,850	11,679,369	21,273,052	15,607,374	12,586,421	8,619,208	5,423,216	5,926,648	215,261,138									
reciation																		
08	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									
the period	943,810	574,350	1,069,285	928,351	636,995	1,225,536	212,884	256,428	5,847,639									
2008	12,498,058	7,739,772	10,268,286	7,829,269	6,546,597	6,741,259	3,347,487	3,924,024	58,894,752									
11/3/2008 - Exhibit A	121,647,792	3,939,597	11,004,766	7,778,105	6,039,824	1,877,949	2,075,729	2,002,624	156,366,386									

implements disposed of during the period has been added at the end of the financial year 2007 and has been returned to supplier in the beginning of the year 2008.

12- **DEFERRED CHARGES, NET:**

The details of this item are as follows:

	<u>31 March 2008</u>	<u>31 March 2007</u>
	SR.	SR.
	(Unaudited)	(Unaudited)
Deferred charges, beginning balance	140,596,966	5,497,540
Additions during the period	--	57,740,094
Accumulated amortization	(35,986,084)	(4,596,829)
Deferred charges, net - Exhibit A	104,610,882	58,640,805

13- **ISLAMIC MURABAHA :**

This item represents Islamic Murabaha from local banks as of 31 March 2008.

14- **PROJECTS' SHAREHOLDERS:**

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

15- **ACCOUNTS PAYABLE:**

The details of this item are as follows:

	<u>31 March 2008</u>	<u>31 March 2007</u>
	SR.	SR.
	(Unaudited)	(Unaudited)
Contractors	129,307,066	57,525,705
Suppliers	27,300,991	2,215,834
Total – Exhibit A	156,608,057	59,741,539

16- **ACCRUED EXPENSES AND OTHERS:**

The details of this item are as follows:

	<u>31 March 2008</u>	<u>31 March 2007</u>
	SR.	SR.
	(Unaudited)	(Unaudited)
Accrued expenses	1,304,010	2,455,307
Islamic Sukuk Charges	52,065,043	11,328,629
Islamic Murabah charges	12,775,884	11,604,210
Zakat provision	473,928,553	445,337,471
Advances from customers	267,042,356	182,880,899
Others	8,951,898	3,211,379
Total – Exhibit A	816,067,744	656,817,895

17- **ISLAMIC SUKUK:**

This item represents of Islamic sukuk amounted to SR.6,000,000,000 (\$1.6 Billion) issued by Dar International Sukuk Company (600 Million) and International Dar Al

22- **SALES AND MARKETING EXPENSES:**

The details of this item are as follows:

	For the period from 1 January 2008 To 31 March 2008	For the period from 1 January 2007 To 31 March 2007
	SR. (Unaudited)	SR. (Unaudited)
Salaries and wages	1,425,467	1,045,240
Advertising	2,794,753	1,230,904
Marketing consulting	4,780	533,428
Meetings and exhibitions	907,418	691,784
Incentives and bonuses	166,776	423,670
Others	966,300	50,389
Total – Exhibit B	6,265,494	3,975,415

23- **GENERAL AND ADMINISTRATIVE EXPENSES:**

The details of this item are as follows:

	For the period from 1 January 2008 To 31 March 2008	For the period from 1 January 2007 To 31 March 2007
	SR. (Unaudited)	SR. (Unaudited)
Salaries, wages and related costs	9,043,604	3,543,849
End of service benefits	500,832	366,639
Incentives and bonuses	194,577	271,784
Subscription fees	99,325	173,049
Printings & stationery	147,931	218,849
Social insurance	277,061	215,896
Repairs and maintenance	1,030,498	125,489
Fuel	25,679	120,489
Insurance	656,901	275,785
Technical consulting and training	1,996,941	239,895
Provision for doubtful accounts	--	73,521
Cleaning and entertainment	538,682	85,892
Water, electricity and telephone	607,577	209,478
Others	897,356	190,478
Total – Exhibit B	16,016,964	6,111,093

24- **EARNING PER SHARE:**

Earning per share is computed by dividing net profit for the period on number of share at the end of the period which is 540,000,000 common shares.

25- **INTERIM RESULTS:**

The interim operation results are not exact indication of the whole year's results of operation contained in closing financial statements.