

DAR AL ARKAN
REAL ESTATE DEVELOPMENT COMPANY
AND ITS SUBSIDIARIES

Saudi Shareholding Company
Riyadh – Kingdom of Saudi Arabia

AUDITORS' REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2007

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

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To: **The Shareholders of**
DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY AND ITS SUBSIDIARIES
Saudi Shareholding Company
Riyadh – Kingdom of Saudi Arabia

Subject: Auditors' Report

SCOPE OF AUDIT: We have audited the accompanying consolidated balance sheet of **DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY AND ITS SUBSIDIARIES - SAUDI SHAREHOLDING COMPANY** – as at 31 December 2007 and the consolidated statements of income, cash flows and shareholders' equity for the year then ended together with the accompanying notes from (1) to (26) which form an integral part of these consolidated statements. These consolidated financial statements have been prepared by the company's management in accordance with Article No. 123 of the Saudi Companies' Regulation, and submitted to us along with the entire information requested. We conducted our audit in accordance with generally accepted auditing standards, which included examination of the accounting records and other audit procedures as we deemed necessary to enable us in establishing a reasonable basis for expressing our opinion on the consolidated financial statements.

CLEAN OPINION: In our opinion, the consolidated financial statements referred to above taken as a whole:

- Present fairly the consolidated financial position of **DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY AND ITS SUBSIDIARIES - SAUDI SHAREHOLDING COMPANY** – as at 31 December 2007, and the consolidated results of its operations, and its consolidated cash flows for the year then ended, in the light of the presentation and disclosures of information contained in the consolidated financial statements and in conformity with the generally accepted accounting principles appropriate to the company's circumstances.
- Comply with the requirements of the Saudi Companies' Regulation and the Company's Articles of Association in regard to the preparation and presentation of the consolidated financial statements.

Date: 05 Safar 1429 H.
 12 February 2008 G.

Signature:
Abdulqadir A. Al-Wohaib
(License No. 48)



DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY AND ITS SUBSIDIARIES

Saudi 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	(3)	3,346,864,936	183,645,137
Accounts receivable, net	(4)	483,560,967	480,658,726
Short-term investments	(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
Prepaid expenses and others	(7)	601,418,420	215,521,365
Due from related party	(8)	3,576,494	2,524,824
Total current assets		<u>7,238,188,554</u>	<u>11,426,000,807</u>
Non-Current Assets			
Project in progress	(6)	8,552,505,918	--
Developed lands	(9)	2,234,451,566	--
Long-term investments	(5)	--	87,510,000
Investment in capital of other companies	(5)	75,000,000	--
Fixed assets, net	(10)	160,596,266	165,565,132
Deferred charges	(11)	113,585,023	2,512,164
Total non-current assets		<u>11,136,138,773</u>	<u>255,587,296</u>
TOTAL ASSETS		<u>18,374,327,327</u>	<u>11,681,588,103</u>
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 others	(15)	861,882,477	572,097,067
Due to related party	(8)	--	929,964
Total current liabilities		<u>1,369,601,870</u>	<u>1,066,759,824</u>
Non-Current Liabilities			
Islamic sukuk	(16)	6,000,000,000	--
Provision for end-of-service Benefits	(17)	4,475,307	3,152,478
Total non - current liabilities		<u>6,004,475,307</u>	<u>3,152,478</u>
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		<u>11,000,250,150</u>	<u>10,611,675,801</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>18,374,327,327</u>	<u>11,681,588,103</u>

**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
Saudi Shareholding Company
 Riyadh – Kingdom of Saudi Arabia

CONSOLIDATED STATEMENT OF INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2007

EXHIBIT B

	Note	2007 SR.	2006 SR.
Revenues		4,925,932,752	4,352,587,354
Cost of revenues		(2,517,924,572)	(2,229,875,697)
Gross income	(20)	2,408,008,180	2,122,711,657
Sales & marketing expenses	(21)	(39,085,943)	(15,658,479)
General and administrative expenses	(22)	(43,768,855)	(24,887,542)
Participation expenses		(12,591,077)	(13,309,914)
Depreciation of fixed assets		(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
Murabaha, net		(6,156,444)	--
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	(23)	(28,591,082)	(270,216,985)
Net income 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
Saudi 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 income 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
End-of-service benefit allocated to expenses	1,524,476	1,375,040
Provision for doubtful accounts	377,586	350,521
Changes in Operating Assets and Liabilities		
(Increase) in accounts receivable	(3,279,827)	(43,157,778)
Decrease / (Increase) in developed lands	1,979,396,076	(735,114,981)
Decrease / (Increase) in projects in progress	5,691,132,427	(342,956,776)
(Increase) in prepaid expenses and others	(385,897,055)	(136,930,198)
Net transactions with related parties	(1,981,634)	(1,594,860)
(Decrease) in projects' shareholders	(31,477,692)	(49,295,979)
Increase / (Decrease) in accounts payables	59,487,953	(49,692,284)
Increase in accrued expenses & others	289,785,410	346,620,082
End-of-service benefits paid	(201,647)	(124,618)
Net cash from operating activities	<u>9,649,907,608</u>	<u>821,783,829</u>
Cash Flows from Investing Activities		
Purchase of fixed assets	(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	<u>(10,852,664,148)</u>	<u>42,218,435</u>
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	<u>4,365,976,339</u>	<u>(1,205,976,339)</u>
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	<u>3,346,864,936</u>	<u>183,645,137</u>

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
Saudi Shareholding Company
Riyadh – Kingdom of Saudi Arabia

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

EXHIBIT D

	Capital SR.	Statutory Reserve SR.	Retained Earnings SR.	Total 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*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1- STATUS AND ACTIVITIES

- 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- 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 and unrestricted current accounts with banks.

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 investment in other companies' projects against determined percentage of the profit of this project as per contracts.

e. 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.

f. Fixes assets:

Fixed assets 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%
Leaschold improvements	5-20%
Prefabricated houses	25%
Tools	20%
Signboards	20%

g. Deferred charges:

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

h. Provision for End-of-Service benefits:

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

i. 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.

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 & 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.

I. 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:

	<u>2007</u> SR.	<u>2006</u> SR.
Cash on hand	315,037	179,188
Checking accounts with local banks in Saudi Riyals	2,006,319,097	183,465,949
Islamic deposits	1,340,230,802	--
Total – Exhibit A	<u>3,346,864,936</u>	<u>183,645,137</u>

4- ACCOUNTS RECEIVABLE, NET:

This item is summarized as follows:

	<u>2007</u> SR.	<u>2006</u> SR.
Accounts receivable	488,039,495	484,759,668
Provision for doubtful accounts	(4,478,528)	(4,100,942)
Accounts receivable, net – Exhibit A	<u>483,560,967</u>	<u>480,658,726</u>

5- INVESTMENTS:

A. Short-term 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 their projects during financial periods ranging from one year "short-term" and two years "long-term".

B. Investment in capital of other companies:

Name of the Company	<u>Ownership %</u>	<u>2007</u> 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: -

	<u>2007</u> SR.	<u>2006</u> SR.
Villas	727,108,988	2,445,552,380
Lands	1,517,626,085	5,490,315,120
Total – Exhibit A	<u>2,244,735,073</u>	<u>7,935,867,500</u>

- 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: -

	<u>2007</u> SR.
Villas	2,691,685,247
Lands	5,860,820,671
Total – Exhibit A	<u>8,552,505,918</u>

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- **PREPAID EXPENSES AND OTHERS:**

This item is summarized as follows: -

	<u>2007</u> SR.	<u>2006</u> SR.
Prepaid expenses	8,447,313	2,535,249
Margin on letters of 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 suppliers	588,409,464	178,600,000
Others	1,585,130	11,334,436
Total – Exhibit A	<u>601,418,420</u>	<u>215,521,365</u>

8- **RELATED PARTIES:**

A. **Due from related party:**

The movement in this account during the year was as follows:

	<u>2007</u>
	SR.
Beginning balance	2,524,824
Sales	355,478,215
Collections	(354,426,545)
Ending balance – Exhibit A	<u>3,576,494</u>

This item represents the operating transactions with Mamlakat Altaqsit 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:

	<u>2007</u>
	SR.
Beginning balance	929,964
Executed works during the year	366,213,754
Payments	(367,143,718)
Ending balance – Exhibit A	<u>–</u>

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.

10- FIXED ASSETS, NET:

The details of fixes assets 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	<u>122,591,602</u>	<u>4,459,947</u>	<u>11,304,827</u>	<u>8,249,921</u>	<u>6,676,819</u>	<u>3,103,485</u>	<u>2,310,613</u>	<u>1,899,052</u>	<u>160,596,266</u>
Net book value									
31/12/2006 - Exhibit A	<u>126,263,599</u>	<u>4,949,299</u>	<u>10,538,296</u>	<u>5,993,438</u>	<u>8,107,483</u>	<u>5,061,739</u>	<u>1,967,238</u>	<u>2,684,040</u>	<u>165,565,132</u>

11- DEFERRED CHARGES, NET:

This item is summarized as follows:

	<u>2007</u>	<u>2006</u>
	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	<u>113,585,023</u>	<u>2,512,164</u>

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:

	<u>2007</u>	<u>2006</u>
	SR.	SR.
Contractors	98,675,715	39,220,281
Suppliers	5,991,278	5,958,759
Total – Exhibit A	<u>104,666,993</u>	<u>45,179,040</u>

15- ACCRUED EXPENSES AND OTHERS:

The details of this item are as follows:

	<u>2007</u>	<u>2006</u>
	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	<u>861,882,477</u>	<u>572,097,067</u>

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 BENEFITS:

The details of this account are as follows:

	<u>2007</u>	<u>2006</u>
	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	<u>4,475,307</u>	<u>3,152,478</u>

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 INCOME:

<u>Description</u>	<u>2007</u>		<u>2006</u>	
	<u>Revenues</u>	<u>Cost</u>	<u>Gross income</u>	<u>Gross income</u>
	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	<u>4,925,932,752</u>	<u>(2,517,924,572)</u>		
Gross income – Exhibit B			<u>2,408,008,180</u>	<u>2,122,711,657</u>

21- SALES AND MARKETING EXPENSES:

The details of this item are as follows:

	<u>2007</u>	<u>2006</u>
	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	<u>39,085,943</u>	<u>15,658,479</u>

22- GENERAL AND ADMINISTRATIVE EXPENSES:

The details of this item are as follows:

	<u>2007</u>	<u>2006</u>
	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	<u>43,768,855</u>	<u>24,887,542</u>

23- ZAKAT:

a) The component elements of Zakat base are as follows:

	<u>2007</u> SR.	<u>2006</u> 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	<u>10,587,708,321</u>	<u>11,070,356,284</u>
Deductible funds		
Total funds deducted from Zakat base after adjustment	12,882,928,505	261,676,888
Zakat base	<u>(2,295,220,184)</u>	<u>10,808,679,396</u>
Zakat provision – Exhibit B	<u>28,591,082</u>	<u>270,216,985</u>

b) Adjusted net income:

	<u>2007</u> SR.	<u>2006</u> SR.
Net income for the year – Exhibit B	1,120,716,798	2,084,167,102
Provisions	1,757,727	1,725,561
Fixed assets computation Differences	21,168,751	6,089,592
Adjusted net income – Note 23/a	<u>1,143,643,276</u>	<u>2,091,982,255</u>

c) The details of the provision for Zakat during the year are as follows:

	<u>2007</u> SR.	<u>2006</u> 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)	<u>473,928,553</u>	<u>445,337,471</u>

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:

	<u>2007</u> SR
Assets	
Total Current Assets	1,425,525,519
Total Non-Current Assets	4,207,365,260
Total Assets	<u>5,632,890,779</u>
Liabilities and Shareholders' Equity	
Liabilities	
Total Current Liabilities	158,029,265
Total Non-Current Liabilities	4,826,441,345
Total Liabilities	<u>4,984,470,610</u>
Shareholders' Equity	
Total Shareholders' Equity	648,420,169
Total Liabilities and Shareholders' Equity	<u>5,632,890,779</u>

- Income statement for the period from 1 April 2007 to 31 December 2007:

	<u>For the period from 1 April 2007 to 31 December 2007</u> SR
Revenue	1,276,391,724
Cost of revenue	(621,753,432)
Gross Profit	<u>654,638,292</u>
Expenses	(6,718,123)
Net profit for the period	<u>647,920,169</u>

- The above financial statements have been audited with auditor report dated 21 January 2008.

b- **Maqar Real Estate Investing Company – Limited Liability Company:**

- Balance sheet as of 31 December 2007:

	<u>2007</u> SR
Assets	
Total Current Assets	1,525,687,939
Total Non-Current Assets	3,858,488,357
Total Assets	<u>5,384,176,296</u>
Liabilities and Shareholders' Equity	
Liabilities	
Total Current Liabilities	162,670,764
Total Non-Current Liabilities	4,952,477,066
Total Liabilities	<u>5,115,147,830</u>
Shareholders' Equity	
Total Shareholders' Equity	269,028,466
Total Liabilities and Shareholders' Equity	<u>5,384,176,296</u>

- Income statement for the period from 2 February 2007 to 31 December 2007:

	<u>For the period</u> <u>from 2 February</u> <u>2007 to 31</u> <u>December 2007</u> SR
Revenue	685,295,209
Cost of revenue	(409,341,255)
Gross Profit	<u>275,953,954</u>
Expenses	(7,425,488)
Net profit for the period	<u>268,528,466</u>

- 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.