Deloitte.

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

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

Audit . Tax . Consulting . Financial Advisory.

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

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

Deloitte.

Deloitte & Touche
Bakr Abulkhair & Co.
Public Accountants - License No. 96
P.O. Box 182, Dammam 31411
Kingdom of Saudi Arabia

Tel: +966 (3) 887 3937
Fax: +966 (3) 887 3931
www.deloitte.com
Head Office: Riyadh

AUDITORS' REPORT

To the stockholders
NAMA Chemicals Company
Al-Jubail, Saudi Arabia.

We have audited the accompanying consolidated balance sheet of NAMA Chemicals Company (a Saudi Joint Stock Company) and subsidiaries as of December 31, 2007, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended, and notes 1 to 20 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. 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 generally accepted auditing standards. 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 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2007, and the results of their operations and cash flows for the year then ended in conformity with generally accepted accounting principles appropriate to the nature of the Company and its subsidiaries, and comply with the relevant provisions of the Regulations for Companies and the articles of the Company as these relate to the preparation and presentation of these consolidated financial statements.

Without qualifying our opinion, we draw your attention to note 5 to the financial statements which states that the Company has losses on its investments funds in Saudi securities classified as available for sale investment as of December 31, 2007 and were accordingly debited against the revaluation surplus (deficit) in the stockholders' equity. Generally accepted accounting standards in Saudi Arabia require the unrealized losses to be charged to the statement of income if the decline in market value is deemed to be non-temporary. Management of the Company is of the opinion that it cannot determine at this time whether the decline in the stock market is of temporary nature or not and hence believes that no impairment adjustment is required in the consolidated statement of income.

Deloitte & Touche
Bakr Abulkhair & Co.

ديلويت آند توش
بكر أبو الخير وشركاهم
محاسبون قانونيون
ترخيص رقم ٩٦ Lic.96
C.P.A
Deloitte & Touche
Bakr Abulkhair & Co.

Nasser M. Al-Sagga
License No. 322
10 Muharram, 1429
January 19, 2008

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2007

	Note	2007 SR 000	2006 SR 000
ASSETS			
Current assets			
Cash and cash equivalents	3	**81,482**	94,326
Accounts receivable	16	**160,372**	126,028
Inventories	4	**108,201**	52,986
Prepayments and other debit balance		**31,359**	26,970
Total current assets		**381,414**	300,310
Non-current assets			
Investments in development bonds and Islamic bonds	5	**113,975**	114,768
Investment in a company	5	**18,136**	18,136
Available for sale investments	5	**213,213**	116,259
Costs of projects under development	1,7	**779,892**	324,322
Property, plant and equipment	6	**243,806**	240,791
Intangible assets	8	**555**	-
Total non-current assets		**1,369,577**	814,276
TOTAL ASSETS		**1,750,991**	1,114,586
LIABILITIES AND STOCKHOLDERS' EQUITY AND MINORITY INTEREST			
Current liabilities			
Short term borrowings	9	**87,996**	156,651
Current portion of long term debt	10	**21,000**	22,000
Accounts payable		**103,219**	47,457
Accrued expenses and other payables		**22,644**	19,059
Total current liabilities		**234,859**	245,167
Non-current liabilities			
Long term debt	10	**586,533**	74,833
End-of-service indemnities	11	**8,113**	4,982
Total non-current liabilities		**594,646**	79,815

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

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET (Continued)
AS OF DECEMBER 31, 2007

	Note	2007 SR 000	2006 SR 000
Commitments and contingencies	18	-	-
Stockholders' equity and minority interest			
Share capital	1	**765,000**	680,000
Share premium	1	**7,160**	92,160
Statutory reserve	12	**14,796**	11,387
Revaluation surplus (deficit)	5	**57,313**	(45,641)
Retained earnings		**77,217**	46,534
Total stockholders' equity		**921,486**	784,440
Minority interest		-	5,164
Total stockholders' equity and minority interest		**921,486**	789,604
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY AND MINORITY INTEREST		**1,750,991**	1,114,586

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

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2007

	Note	2007 SR 000	2006 SR 000
Sales	16	513,126	395,224
Cost of sales	16	(435,340)	(326,162)
Gross profit		77,786	69,062
Selling and marketing expenses	14	(25,055)	(25,764)
General and administrative expenses	15,16	(15,558)	(17,562)
Profit from operations		37,173	25,736
Financial expenses	9,10	(6,732)	(6,382)
Write down of investment in a company	5	-	(3,000)
Gain on revaluation of investments-trading securities		-	954
Investment income		7,017	12,286
Other (expenses) income	5	(405)	920
Profit before minority interest		37,053	30,514
Profit applicable to minority interest		-	(3,633)
Net income before zakat		37,053	26,881
Zakat	13	(2,961)	(4,911)
NET INCOME		34,092	21,970
Earnings per share for the year	19	SR 0.45	SR 0.29

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

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2007

	Note	Share capital SR 000	Share premium SR 000	Statutory reserve SR 000	Revaluation surplus (deficit) SR 000	retained earnings SR 000	Total SR 000
January 1, 2006		650,000	-	9,190	69	26,761	686,020
Addition share capital							
Contribution	1	30,000	-	-	-	-	30,000
Share premium	1	-	92,160	-	-	-	92,160
Net income for 2006		-	-	-	-	21,970	21,970
Transfer to statutory reserve	12	-	-	2,197	-	(2,197)	-
Unrealized loss on investment		-	-	-	(45,710)	-	(45,710)
December 31, 2006		680,000	92,160	11,387	(45,641)	46,534	784,440
Increase in share capital	1	**85,000**	**(85,000)**	-	-	-	-
Net income for 2007		-	-	-	-	**34,092**	**34,092**
Transfer to statutory reserve	12		-	**3,409**		**(3,409)**	-
Unrealized gain on investments		-	-	-	**102,954**	-	**102,954**
December 31, 2007		**765,000**	**7,160**	**14,796**	**57,313**	**77,217**	**921,486**

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

NAMA CHEMICALS COMPANY AND SUBSIDIARIES
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2007

	2007 SR 000	2006 SR 000
OPERATING ACTIVITIES		
Net income before zakat	37,053	26,881
Adjustments for:		
Minority interest	-	3,633
Depreciation	12,871	12,386
Amortization	102	1,567
Write down of investment in a company	-	3,000
Gain on disposal of property, plant and equipment	(97)	(74)
Loss (gain) on revaluation of investments, net	6,000	(954)
End-of-service indemnities	3,375	1,425
Changes in operating assets and liabilities:		
Accounts receivable	(34,344)	(45,411)
Inventories	(55,215)	(2,882)
Prepayments and other debit balances	(4,389)	4,899
Accounts payable, accrued expenses and other payables	56,386	(13,353)
Cash from (used in) operations	21,742	(8,883)
End-of-service indemnities paid	(244)	(491)
Net cash from (used in) operating activities	21,498	(9,374)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(15,914)	(11,610)
Additions to cost of projects under development	(455,570)	(213,099)
Changes in investments, net	793	96,378
Proceeds from disposal of property, plant and equipment	125	78
Additions to intangible assets	(657)	-
Net cash used in investing activities	(471,223)	(128,253)
FINANCING ACTIVITIES		
Change in short term borrowings	(68,655)	74,577
Drawdown of long term debt	532,700	3,833
Repayment of long term debt	(22,000)	(18,000)
Change in minority interest	(5,164)	(243)
Net cash from financing activities	436,881	60,167
Net change in cash and cash equivalents	(12,844)	(77,460)
Cash and cash equivalents, January 1	94,326	171,786
CASH AND CASH EQUIVALENTS, December 31	81,482	94,326

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

1. ORGANIZATION AND ACTIVITIES

NAMA Chemicals Company ("the Company") ("NAMA") is a Saudi Joint Stock Company registered in Al-Jubail Industrial City under the commercial registration number 2055007420.

On April 16, 2006, a merger agreement was signed between NAMA and Jubail Chemical Industries Co. ("JANA"), a closed joint stock company owned 51% by NAMA, for the purpose of acquiring the remaining shares of JANA (49% remaining ownership) with effect from June 1, 2006. The agreement was ratified by the shareholders of JANA and NAMA in their extraordinary general meetings on May 29, 2006 and June 14, 2006 respectively. As per the agreement, 3 million additional shares has been issued by NAMA in consideration for the remaining share in JANA.

The Capital Markets Authority ("CMA") approved the increase in NAMA's share capital from SR 650 million to SR 680 million, for the purpose of acquiring the remaining shares in JANA. In its extraordinary meeting held on 18 Rabi Awal (April 16, 2006), the general assembly has approved the acquisition of JANA and its merger with NAMA with the effective date being June 1, 2006 through increasing the Company's capital by SR 30 million by issuing additional 3 million shares of SR 10 par value for each. The fair market value of the shares issued amounted to SR 122.2 million based on the valuation performed by independent financial advisors and approximated the fair value of net assets of JANA which were acquired by NAMA. The Company's capital after the acquisition amounted to SR 680 million divided into 68 million shares of SR 10 each.

The premium arising from the difference between the fair value and the par value of the shares issued amounting to SR 92.2 million was allocated to share premium account in the stockholders' equity section.

The legal formalities associated with the acquisition of the 49% share in JANA were completed on 26 Sha'ban, 1427 (corresponding to September 19, 2006) and revised commercial registration certificate was issued for the effect of JANA as a branch of NAMA.

During December 2006, JANA was converted into a limited liability company by transferring 5% share to a subsidiary and the remaining 95% shares are owned by the Company.

On May 5, 2007, the Board of Directors of NAMA resolved to increase the share capital of JANA (100% owned by NAMA) by SR 161 million from SR 265 million to SR 426 million by way of transfer of amount payable to the holding company (i.e. NAMA). The legal formalities associated with the increase in the share capital and the issuance of additional shares was completed during the year.

On April 17, 2007, CMA approved the Board of Directors' decision to increase the share capital of the Company from SR 680 million to SR 765 million by issuing 8.5 million bonus shares of SR 10 each amounting to SR 85 million (one share for every eight shares held by the existing stockholders). The increase will be made via a transfer of SR 85 million from the share premium account. The legal formalities associated with the increase in the share capital and the issuance of bonus shares were completed during the year.

On May 5, 2007 the board of directors resolved to increase the share capital of NAMA by SR 500 million through issuing 50 million shares, the stock subscription right will be exclusive for the stockholder that recorded at the day of general assembly extraordinary meeting, that will be held after taking the necessary approvals from the concerned parties.

Arabian Alkali Company ("SODA"), a limited liability company, is the subsidiary of the Company and the Company's shareholding was 75%. On February 21, 2007, an agreement was signed between NAMA and the minority shareholders of SODA, for the purpose of acquiring the remaining shares of SODA (25% remaining ownership). As per the agreement, the 25% stake will be split whereby 15% shares will be registered in the name of NAMA and the remaining 10% will be registered in the name of JANA. The legal formalities associated with the transfer of ownership were completed during 2007.

During the first quarter of 2007, NAMA incorporated a new limited liability company called NAMA for Industrial Investment which is owned 95% by NAMA and 5% by SODA under the commercial registration number 2055008134. The legal formalities associated with the registration of the subsidiary were also completed during the year. The share capital of this new subsidiary is SR 1,000,000 divided into 1,000 shares of SR 1,000 each.

The principal activities of NAMA and its subsidiaries ("the Group"), each of which operates under individual commercial registration, are to own, establish, operate and manage industrial projects in the petrochemical and chemical fields.

The Group incurs costs on projects under construction and development and subsequently establishes a separate company for each project that has its own commercial registration. Costs incurred by the Group are transferred to the separate company when it is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in compliance with the accounting standards issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Company:

Accounting convention
The financial statements are prepared under the historical cost convention. Except for investments in securities which are stated at fair value.

Principles of consolidation
The consolidated financial statements include the accounts of NAMA and its subsidiaries which are owned above 50% after eliminating significant inter-company balances and transactions between the Company and the subsidiaries for consolidation purposes.

Investments
Investments in financial instruments are classified according to Group's intent with respect to these securities.

Investments in companies whose shares are not readily marketable and in which NAMA owns less than 20% of the share capital are accounted for at cost. Impairment in value is recorded in the period in which the impairment is determined and charged to the income statement. Dividends are recorded when received.

Investments in investments funds classified as available for sale are stated at market value. Changes in market value are credited or debited to the revaluation surplus (deficit) included in stockholders' equity. The carrying amount of such investments is reduced to recognize any impairment in the value of the individual investments.

Investments in marketable securities classified as available for sale are stated at market value. Changes in market value are credited or debited to the revaluation surplus (deficit) account included in shareholders' equity.

Investment in Saudi Government Development Bonds ("SGDB") are stated at amortized cost, which approximates market value.

Revenue recognition
Sales are recognized upon delivery of goods to customers. Investment income, principally commissions on term deposits and SGDB is recognized on an accrual basis.

Expenses
Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Group's products and services. All other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically part of cost of sales as required under generally accepted accounting principles. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

Accounts receivable
Accounts receivable are carried at their original amount less provision made for doubtful accounts. An allowance for doubtful accounts is established when there is significant doubt that the Company will be able to collect all amounts due according to the original terms of account receivable.

Inventories
Inventories are stated at the lower of cost or net realizable value. Cost is determined, for finished goods, on a weighted average cost basis and includes cost of materials, labor and an appropriate proportion of direct overheads. All other inventories are valued on a weighted average cost basis.

Intangible assets
Intangible assets principally represent pre-operating costs, front-end fee and enterprise resource planning (ERP) solution program implementation costs. The pre-operating costs and ERP solution program implementation costs are amortized on the straight line method over 5 to 7 years from date of commencement of commercial operations of the consolidated subsidiary. The front-end fee charged by Saudi Industrial Development Fund ("SIDF") is amortized over the term of the loan.

Property, plant and equipment
Property and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease.

The estimated useful lives of the principal classes of assets are as follows:

	Years
Buildings and improvements on lease land	20 - 40
Plant and machinery	10 - 30
Furniture, fixtures and office equipment	4 - 10
Vehicles	4

Impairment

At each balance sheet date, the Group reviews the carrying amounts of their property, plant and equipment and intangible 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 (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the balance sheet date. Exchange gains or losses are credited or charged to the consolidated statement of income.

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian labor law, are provided in the financial statements based on the employees' length of service.

Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease.

Zakat

NAMA and its subsidiaries are subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). Zakat is calculated and accrued for the year based on estimation. Any difference between the estimate and final assessment is recorded when settled.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, demand deposits, and highly liquid investments with original maturities of three months or less.

	2007 SR 000	2006 SR 000
Cash and bank balances	**31,535**	10,198
Time deposits	**49,947**	84,128
	81,482	94,326

4. INVENTORIES

	2007 SR 000	2006 SR 000
Raw materials	**69,969**	29,161
Finished products and work in process	**33,894**	17,534
Spare parts	**4,338**	6,291
	108,201	52,986

The spare parts inventory primarily related to plant and machinery and accordingly, this inventory is expected to be utilized over a period exceeding one year.

5. INVESTMENTS

	2007 SR 000	2006 SR 000
Investment in a company	**18,136**	18,136
Available for sale investments	**213,213**	116,259
SGDB	**113,975**	114,768
	345,324	249,163

NAMA Board of Directors changed its intention with respect to mutual funds previously accounted for as investment - trading securities and decided to account for these securities as available for sales investments with effect from April 1, 2006 as the intention of the Company is currently to hold these investments for long term purposes. The unrealized loss as of December 31, 2007 amounting to SR 28.4 million (net of impairment for the year of SR 6.0 million classified under other expenses/income) arising on these investments was debited to the revaluation surplus (deficit) account in stockholders' equity in accordance with SOCPA standards on accounting for investments in financial instruments. Management of the Company is of the opinion that it cannot determine at this time whether the decline in the stock market is of temporary nature or not and hence believes that no impairment adjustment is required in the consolidated statement of income.

Investment available for sale also includes NAMA's share in the establishment of Yanbu National Petrochemicals Company (YANSAB) (Saudi Joint Stock Company) of 2,005,000 shares at a cost of SR 20.05 million. During the first quarter of the year 2006, YANSAB stocks have been listed in the stock market. Accordingly, investment has been revalued at the fair market value. The valuation difference amounted to SR 85.7 million as of December 31, 2007 has been taken to the revaluation surplus (deficit) account under stockholders equity.

Investment in a company comprises an investment in Ibn Rushd.

6. PROPERTY, PLANT AND EQUIPMENT

	Buildings Plant & machinery SR 000	Vehicles SR 000	Furniture, *fixtures &* office equipment SR 000	Total SR 000
Cost				
January 1, 2007	332,126	2,538	9,885	344,549
Additions	13,551	1,190	1,173	15,914
Disposals	-	(252)	-	(252)
December 31, 2007	345,677	3,476	11,058	360,211
Depreciation				
January 1, 2007	94,023	2,133	7,602	103,758
Charge for year	11,871	271	729	12,871
Disposals	-	(224)	-	(224)
December 31, 2007	105,894	2,180	8,331	116,405
Net book value				
December 31, 2007	239,783	1,296	2,727	243,806
December 31, 2006	238,103	405	2,283	240,791

The production facilities of SODA and JANA are located in Jubail Industrial City and are constructed on land leased from the Royal Commission for Jubail and Yanbu for a period of 25 Hijra years commencing in October 1995 and August 1997, respectively.

7. COST OF PROJECTS UNDER DEVELOPMENT

Cost of projects under construction and development primarily represent costs incurred by JANA for obtaining the technology of the Epichlorohydrin factory and the studies for the Chlor-alkali project. The cost of the project is currently estimated at approximately US$ 225 million.

Construction related costs at December 31, 2007 comprise construction costs under various agreements and directly attributable costs to bring the asset to the location and working condition necessary for it to be capable of operating in a manner intended by the management. Directly attributable costs include employee benefits, site preparation costs, installation costs, licensing fees, professional fees and borrowing costs.

8. INTANGIBLE ASSETS

	2007 SR 000	2006 SR 000
Balance at beginning of year	-	3,992
Additions during the year	657	-
	657	3,992
Less: amortization	(102)	(1,567)
Negative goodwill write off	-	(2,425)
Balance as of December 31	555	-

9. SHORT TERM BORROWINGS

NAMA obtained bank facilities from a local bank in the amount of SR 54 million for Murabaha loans and letters of credit. The interest rate is based on the Saudi Inter Bank Offered rates ("SIBOR") plus a margin. These facilities are secured by assignment of certain accounts receivable covering 150% of the facilities in addition to the signing of Murabaha contracts.

JANA obtained bank facilities from a local bank in the amount of SR 55 million for overdrafts, short-term loans, guarantees, letters of credit etc, in addition to bridge loan for the amount of SR 130 million as bridge financing for the development of the Epichlorohydrin and Chlor Alkali projects. The interest rate is based on the SIBOR plus a margin. These facilities are secured by a corporate guarantee of SR 144 million from NAMA.

SODA has bank facilities from banks for short term loans, overdraft, letters of credit, guarantees etc. At December 31, 2007, SODA has short term loans of SR 10.0 million (2006 – SR 10.0 million) for working capital requirements. These have been taken at different rates at SIBOR plus a margin and are collateralized by export guarantees, corporate guarantees and the promissory notes and the assignment of certain accounts receivable and a second mortgage on the SODA's property, plant and equipment. The total outstanding for these facilities at December 31, 2007 is SR 11.41 million (2006 - SR 10.97 million). The facilities have been taken on a rollover basis and are renewable every six months.

10. LONG TERM DEBT

	2007 SR 000	2006 SR 000
SIDF loans		
JANA	299,533	82,833
SODA	8,000	12,000
Murabaha loan	300,000	-
Commercial bank loans	-	2,000
	607,533	96,833
Less: current portion	(21,000)	(22,000)
Long term loans	586,533	74,833

SIDF loans

JANA

JANA obtained a loan facility from SIDF for SR 116.3 million, which was fully withdrawn as at December 31, 2000. Repayment of the loan was originally to be in 16 unequal semi-annual installments commencing from 15 Rabi II 1422H (corresponding to July 6, 2001).

During 2003, the SIDF rescheduled the payment terms to sixteen unequal semi annual installments commencing from 15 Rabi II 1425 H (corresponding to June 3, 2004) and accordingly JANA has repaid SR 12 million (2005 - SR 9 million). The loan is secured against the mortgage of the property, plant and equipment of JANA and personal and/or corporate guarantees of the shareholders. In 2004, the SIDF approved an additional term loan of SR 5 million to finance the expansion project of JANA which was utilized to the extent of SR 3.5 million by the subsidiary within 2006. Loan covenants include maximum limits for capital expenditure and maintenance of certain financial ratios during the period of the loan. JANA was in compliance with these as at December 31, 2007.

The SIDF loan fees totaling SR 7 million were prepaid and are being amortized as part of intangible assets over a period of eight years. Follow up fees amounting to SR 0.95 million (2006 - SR 1.0 million) are included as part of the finance charges.

On 1 Rajab 1428H (corresponding to July 26, 2006), SIDF approved an additional term loan facility of SR 315 million to finance the Hassad project, which was utilized to the extent of SR 232.7 million by JANA within 2007. Repayment of the loan is in 15 unequal semi-annual installments commencing from 15 Shawwal 1430H (corresponding to October 4, 2009). Loan covenants include maximum limits for capital expenditure and maintenance of certain financial ratios during the period of the loan from the date of commencement of commercial operations. JANA was in compliance with these as at December 31, 2007.

The SIDF front end fees for the above loan amounting to SR 22 million were prepaid and are being capitalized as part of cost of project under development and the same will be amortized from the date of commencement of commercial operations over the period of the loan.

SODA

The SIDF loan facility amounts to SR 50.6 million of which SR 47.1 million was utilized during the availability period, which ended on October 31, 1997. The SIDF loan bears no periodic financing charges but pays annual administration fees. The loan was payable in un-equal semi annual installments which commenced on December 30, 2001 and continue through May 2007. During 2005, the loan was rescheduled, payable in equal semi annual installments of SR 2 million each, which commenced on May 2006 and continue through October 2009. The loan is secured by promissory note and a mortgage on the SODA's property, plant and equipment and guarantees of the shareholders of the subsidiary. The SIDF loan fees totaling SR 3.1 million were deferred and were amortized over the period of the loan.

The SIDF loan requires the maintenance of certain financial covenants. At December 31, 2007 the subsidiary was in compliance with the covenants except the covenants related to maximum capital expenditure allowed during the year. SODA does not expect SIDF to take any action due to such non-compliance.

Murabaha loan (JANA)

On June 19, 2007, JANA entered into a Master Murabaha Agreement ("the Agreement") with a syndicate of banks though an Investment Agent ("the Agent") to finance Hassad project. The facility amounted to SR 300 million (US$ 80 million) in the form of islamic murabaha to sell and repurchase certain commodities from the Agent in accordance with Shariah principles. JANA has fully drawn down the murabaha facility during the year. Repayment is in 16 equal semi annual installments of SR 18.75 million commencing from June 15, 2009. The interest rate is based on London Inter Bank Offered Rate plus a margin ranges from 2% to 1.85% over the period of the facility. The Agreement requires the subsidiary to comply with certain financial covenants. JANA is in compliance with these covenants as of the year end.

The loan is secured against second mortgage of the property, plant and equipment of the subsidiary, NAMA cash account assignment to the Agent and NAMA assignment of its SGDB to the Agent.

Commercial loan (SODA)

The loan was payable in ten equal semi annual installments of SR 1 million each, which commenced on June 30, 2003. The loan carries interest at a rate of 1.5% per annum over SIBOR as determined by the bank. The loan was collaterized by corporate guarantees from the shareholders and the promissory notes and the assignment of certain accounts receivable and a second mortgage on SODA's property, plant and equipment. As at December 31, 2007, the loan has been fully paid.

The repayment schedule of SIDF loans and Murabaha loan after the utilization of the total facilities will be as follows:

	Murabaha loan SR 000	SIDF loans SR 000	Total SR 000
2008	-	21,000	21,000
2009	37,500	26,000	63,500
2010	37,500	42,000	79,500
2011	37,500	52,000	89,500
2012	37,500	50,000	87,500
2013	37,500	50,000	87,500
2014	37,500	50,000	87,500
2015	37,500	50,000	87,500
2016	37,500	50,000	87,500
Total	300,000	391,000	691,000

The total facility availed at December 31, 2007 amounted to SR 607.53 million, SR 21.0 million is payable in 2008 while the remaining balance of SR 586.53 is shown as non current liability

11. END-OF-SERVICE INDEMNITIES

	2007 SR 000	2006 SR 000
January 1	4,982	4,048
Additional provision for year	3,375	1,425
Utilization of provision	(244)	(491)
December 31	8,113	4,982

12. STATUTORY RESERVE

In accordance with its Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, NAMA allocates 10% of its net income each year to form a statutory reserve until such reserve equals 50% of its share capital. This reserve is not available for dividend distributions.

13. ZAKAT

The principal elements of the zakat are based on NAMA standalone financials and are as follows:

	2007	2006
	SR 000	SR 000
Non-current assets	**844,718**	544,531
Non-current liabilities	**567**	390
Opening shareholders' equity	**785,810**	763,841
Net income (loss) before zakat	**37,053**	26,881

Some of these amounts have been adjusted in arriving at the zakat charge for the year.

The movement in zakat provision is as follows:

	2007	2006
	SR 000	SR 000
Balance, January 1	**3,519**	7,521
Provision for the year	**2,404**	3,519
(Over) under provision in previous year	**(401)**	644
Payment during the year	**(3,118)**	(8,165)
Balance, December 31	**2,404**	3,519

The above provision is included within accrued expenses and other payables.

The charge for the year for zakat is as follows:

	2007	2006
	SR 000	SR 000
Zakat charge based on NAMA standalone financial statements	**2,404**	3,519
(Over) under provision in previous year	**(401)**	644
NAMA's share of subsidiaries' zakat	**958**	748
Zakat expense	**2,961**	4,911

Outstanding assessments
The Company has yet to receive the final zakat assessments for the years from 2000 through 2006 as they are still under study by the DZIT.

14. SELLING AND MARKETING EXPENSES

	2007 SR 000	2006 SR 000
Freight and delivery expenses	17,770	16,638
Marketing fee	-	2,897
Salaries, wages and benefits	3,422	2,474
Sales commission	1,660	1,313
Others	2,203	2,442
	25,055	25,764

15. GENERAL AND ADMINISTRATIVE EXPENSES

	2007 SR 000	2006 SR 000
Salaries, wages and benefits	9,724	8,342
Amortization of intangible assets	102	1,567
Consultation fees	663	1,024
Depreciation	510	482
Other expenses	4,559	6,147
	15,558	17,562

16. RELATED PARTY TRANSACTIONS

Significantly related party transactions for the year ended December 31 consist of the following:

	2007 SR 000	2006 SR 000
Subsidiary's sales to a shareholder	1,853	2,511
Subsidiary's purchases and services received from a shareholder	106	110

Due from a shareholder in a subsidiary, included in accounts receivable, amounted to nil (2006 – SR 1,028 thousand).

17. OPERATING LEASE ARRANGEMENTS

	2007 SR 000	2006 SR 000
Payments under operating leases recognized as an expense during the year	1,133	820

Operating lease payments represent rentals payable by the Company for leased land for certain factory buildings and other premises for a period of 25 years and also leased port facilities for a period of 20 years. Rentals are fixed for the terms of the leases. Rentals are fixed for the terms of the leases.

Commitments for minimum lease payments under non-cancelable operating leases in each of the next 5 years are as follows:

	2007 SR 000	2006 SR 000
Year 1	564	744
Year 2	564	564
Year 3	325	564
Year 4	208	325
Year 5	208	208
After five years	1,231	1,439
Net minimum lease payments	3,100	3,844

18. COMMITMENTS AND CONTINGENCIES

At December 31, 2007, the Group has outstanding letters of credit and guarantee of SR 29.92 million issued in the normal course of business.

SODA's current liabilities (SR 37.26 million) exceeded its current assets (SR 27.13 million) by SR 10.13 million. Furthermore, the accumulated deficit at December 31, 2007 was SR 22.55 million, which exceeded 50% of the subsidiary's share capital of SR 42.38 million. In compliance with the amended Article 180 of the Regulations for Companies, the shareholders are required to resolve to continue in business and provide support for the subsidiary or liquidate the subsidiary. The ability of the subsidiary to continue as a going concern is dependent upon continuing support from the shareholders and profitable future operations.

At December 31, the Group had the following capital commitments:

	2007 SR 000	2006 SR 000
Commitments for the acquisition of property, plant and equipment	104,960	378,840

19. EARNINGS PER SHARE

Earnings per share are computed by dividing net income for the year by the weighted average number of shares outstanding during the year.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the consolidated balances sheet principally include accounts receivable and other assets, accounts payable, borrowings and accrued and other liabilities.

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. Cash is substantially placed with banks with sound credit ratings. Trade accounts receivable are carried net of provision for doubtful debts.

Interest risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. The Group has no significant interest bearing assets but has interest bearing liabilities as of December 31, 2007.

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell financial assets quickly at an amount close to their fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet future commitments.

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Management monitors the fluctuations in currency exchange rates and manages its effect on the financial statements accordingly.

Fair Value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Group's financial instruments except available for sale investment are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair value of the Group's financial assets and liabilities are not materially different from their carrying values.