ALUJAIN CORPORATION

(A Saudi Joint Stock Company)

BOARD OF DIRECTORS' REPORT FOR THE YEAR 2007

The Board of Directors has pleasure in presenting its annual report together with the audited financial statements for the year ended December 31, 2007.

The main objectives of Alujain Corporation are to identify, promote, develop and invest in petrochemical, energy, metal and mineral related projects/industries. Pursuant to these objectives the Company developed Alfasel Propylene Project and, as reported in last year's Board of Directors' report, transferred the Alfasel Propylene Project to the National Petrochemical Industrial Company (NATPET) for implementation as part of the Propylene/Polypropylene Complex, under NATPET umbrella. Alujain received additional common shares of NATPET, against its investment of SR360 million in Alfasel, thereby increasing its equity ownership in NATPET from 37.03% to 57.4%. This process was completed at start of 2nd Quarter 2007. Therefore, 2007 financial statements of Alujain are consolidated with NATPET as a subsidiary, in accordance with the standards issued by the Saudi Organization of Certified Public Accountants (SOCPA). Please note that all prior years' figures shown in the following summary are on a stand-alone basis.

Alujain also continues to explore, identify, evaluate and develop new opportunities/projects, if viable and within the objectives of the Company.

I. FINANCIAL HIGHLIGHTS

A. Five-Years Profit and (Loss) Summary

	Year ended December 31				
	2003 (SR '000)	**2004[a] (SR '000)**	**2005 (SR '000)**	**2006 (SR '000)**	**2007[b/c] (SR '000)**
Revenue	7,132	5,966	13,615	15,965	22,560
Costs and Expenses	(18,262)	(54,906)	(7,249)	(12,055)	(69,629)
Profit (Loss) before Zakat	(11,130)	(48,940)	6,366	3,910	(47,069)
Zakat	(115)	0	(3,068)	(3,560)	(14,416)
Profit (Loss) Before Minority Interest	(11,245)	(48,940)	3,298	350	(61,485)
Minority Interest	0	0	0	0	22,039
Net Profit (Loss)	(11,245)	(48,940)	3,298	350	(39,446)

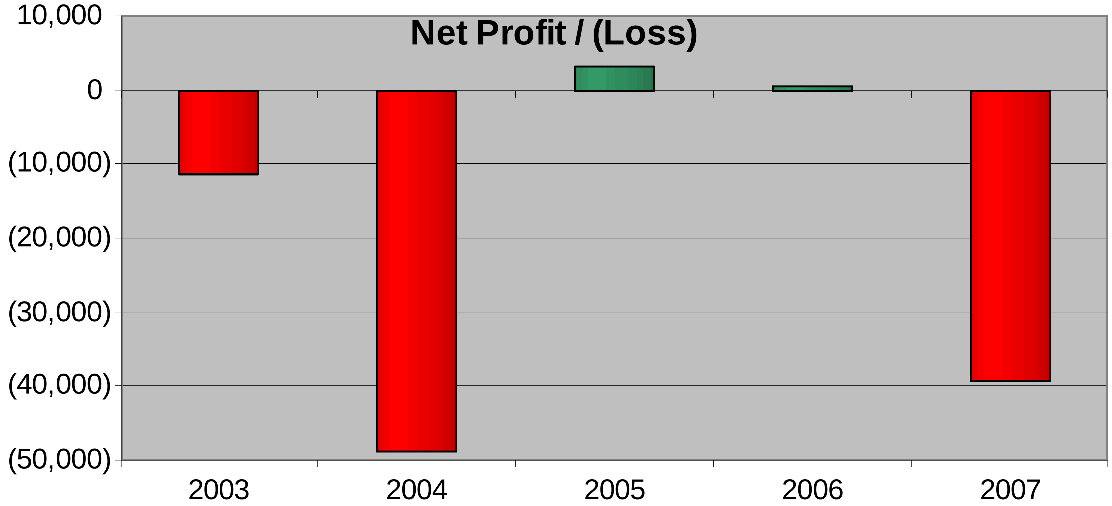
a. Include SR47.3 million provisions made, against investments, in compliance with generally accepted accounting standards in the Kingdom.

b. Include SR20.5 million of expenses charged to subsidiary's income statement pertaining to prior years and SR8.1 million from changes in fair value of derivatives.

c. Minority interest represents 42.6% share of other shareholders in NATPET.

Five-Years Profit or Loss Chart
(consolidated data for 2007)

(Amounts in SR '000)



B. Comparative Operating Results (2 years):

The consolidated revenue in 2007 of SR22.6 million consists of Alujain SR8.8 million & SR13.7 million of the subsidiary company. The 2006 stand-alone revenue for Alujain was SR16.0 million.

The consolidated 2007 expenses increased to SR69.6 million from SR12 million in 2006 mainly due to the inclusion of SR57.7 million expenses of the subsidiary company. The subsidiary company's 2007 expenses include SR20.5 million reclassified from Projects Under Progress and SR8.1 million from changes in fair value of derivatives.

The consolidated net loss before Zakat in 2007 is SR47.1 million as compared to the 2006 stand-alone pre-Zakat profit of SR3.9 million. Alujain's 2007 loss, net of minority interest, is SR39.4 million compared to a stand-alone net profit of SR0.4 million in 2006.

Two years comparative operating results
(2007 figures are on consolidated basis)

	Year ended on December 31		
	2007 [a & b] **(SR '000)**	**2006 (SR '000)**	**Net Changes (SR '000)**
Revenue:			
Income from Murabaha Funds	1,792	3,566	(1,774)
Commission and dividend income	19,571	6,564	13,007
Other	1,197	5,835	(4,638)
Total income	22,560	15,965	6,595
Expenses:			
Provision for investments	(2,084)	(5,033)	2,949
General and administrative expenses	(59,400)	(7,022)	(52,378)
Change in fair value	(8,145)	0	(8,145)
Total expenses	(69,629)	(12,055)	(57,574)
Profit (Loss) before Zakat	(47,069)	3,910	(50,979)
Zakat	(14,416)	(3,560)	(10,856)
Profit (Loss) before Minority Interest	(61,485)	350	(61,835)
Minority Interest	22,039	0	22,039
Net Profit (Loss)	(39,446)	350	(39,796)

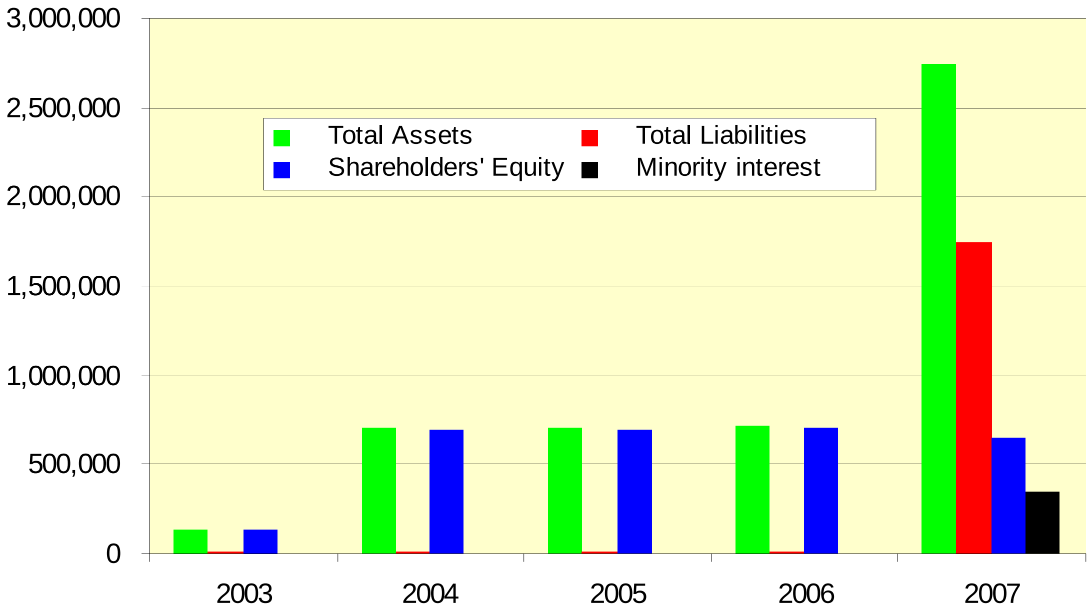
a. *Include SR20.5 million of expenses charged to subsidiary's income statement pertaining to prior years and SR8.1 million from changes in fair value of derivatives.*
b. *Minority interest represents 42.6% share of other shareholders in NATPET.*

C. *Summary of Financial Position*
2007 figures are on consolidated basis

	As at December 31				
	2003 (SR '000)	**2004 (SR '000)**	**2005 (SR '000)**	**2006 (SR '000)**	**2007** [a/ b] **(SR '000)**
ASSETS					
Current assets	26,615	572,888	117,182	64,728	310,095
Non-current assets	109,167	129,968	584,944	648,697	2,436,889
Total Assets	135,782	702,856	702,126	713,425	2,746,984
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities	5,418	9,061	9,498	8,874	195,555
Non-current liabilities	1,086	1,501	1,780	2,057	1,553,621
Total Liabilities	6,504	10,562	11,278	10,931	1,749,176
Shareholders' Equity	129,278	692,294	690,848	702,494	650,510
Minority interest	0	0	0	0	347,298
Total Liabilities and Shareholders' Equity	135,782	702,856	702,126	713,425	2,746,984

a. *Shareholders' Equity include SR29 million from subsidiary's changes in fair value of derivatives in addition to SR20.5 million of expenses charged to subsidiary's income statement pertaining to prior years and SR8.1 million from changes in fair value of derivatives.*
b. *Minority interest represents 42.6% share of other shareholders in NATPET.*

(Amounts in SR '000)



II. MAJOR EVENTS IN 2007

Construction of NATPET Propylene & Polypropylene Complex in Yanbu Industrial City was completed and all requirements for start-up are in place. The technology licensors (UOP and Basell) are on site working on pre-commissioning & commissioning activities along with NATPET's manpower.

III. ZAKAT AND OTHER AMOUNTS PAID TO THE GOVERNMENT

The DZIT had finalized Alujain's Zakat assessment for the years 1994 through 2002 and the Company paid its assessed liability. During the period, Alujain's guaranteeing Bank released Alujain's letter of guarantee as per the instructions received from the DZIT.

The Company has filed the Zakat returns for 2003, 2004, 2005 and 2006 to the DZIT and the DZIT is in the process of reviewing these returns. Until now there are no questions/concerns received from the DZIT.

Following are the details of the Company's Zakat expenses of SR6,621,196 during the year 2007:

Under-provided portion of 1994-2002 final assessment:		
Final settlement paid	SR4,490,079	
Less: Prior years' Zakat provision	(SR1,677,746)	SR2,812,333
2006 Zakat Adjustment:		
Zakat paid as 2006 Zakat Return	SR3,560,812	
Less: 2006 Zakat provision	(SR3,559,950)	SR862
Zakat Provisions for year 2007		SR3,808,001
Total Zakat expenses booked for the year 2007		**SR6,621,196**

Following is a summary of amounts paid to the Government:

	2007 (SR '000)	2006 (SR '000)
Zakat	8,051	3,069
General Organization for Social Insurance	96	84
Registration, visas and other expenses	22	54
Total amounts paid to the Government	8,169	3,207

IV. SUBSIDIARY COMPANY

National Petrochemical Industrial Company (NATPET):

NATPET is a closed joint stock company incorporated in the Kingdom of Saudi Arabia with its head office in Jeddah and plant in Yanbu Industrial City.

Alujain currently holds 57.4% (or SR526 million) of the total equity of NATPET, the company that is responsible for monitoring the construction, start-up and operation of the propylene and polypropylene complex in Yanbu Industrial City.

The authorized and paid up capital comprised of 91,750,000 shares of SR10 per share as at 31 December 2007 (31 December 2006: 12,500,000 shares of SR50 per share).

NATPET signed loan agreements with local banks and SIDF in order to finance the construction of its project. The loan balance as at 31 December is comprised of the following:

	2007 (SR)	2006 (SR)
Commercial Banks' Syndication	1,232,844,218	-
SIDF Loan	360,000,000	200,000,000
Others	18,750,000	-
	1,611,594,218	200,000,000

The SIDF loan amount is SR400 million of which SR360 million was drawn down by 31 December 2007 and is secured by a mortgage over the fixed assets of the project and corporate guarantees from its shareholders. Alujain's guarantee is 37.03% of the total loan.

The Commercial Banks' syndication term loans are secured by a second charge on NATPET's assets.

V. ASSOCIATE COMPANY

Arab Pesticide Industries Company (MOBEED):

This is a limited liability company incorporated in the Kingdom of Saudi Arabia with its head office in Jeddah and plant in Jubail Industrial City.

Alujain holds 25% of the total equity of MOBEED, a company that produces pesticides and agrochemical products for local and regional markets. Due to adverse results and severe market conditions MOBEED shareholders agreed to put up the company for sale after obtaining the approval of the Ministry of Commerce. Full provision was made against the value of the investment in equity. In addition, a letter of guarantee was provided for SR10.2 million to SIDF as security for the SIDF loan of SR40.3 million to MOBEED, to enable the process of liquidation and auction to take place.

During 2007 Alujain management re-evaluated Mobeed business/facilities considering different options including diversifying the product lines which can be produced in the facility and found certain good prospect/business opportunities. Based on these re-evaluations Alujain submitted to its Board of Directors a business plan along with its recommendations to acquire majority shareholding in MOBEED. The Board approved the recommendations in its meeting held in January 2008, to increase Alujain’s shareholding so that Alujain can implement a new strategy to restructure MOBEED activities. The management is actively pursuing the current MOBEED shareholders for the purpose of acquiring their shares. Alujain intends to enter into an agreement with a specialized company for operating the plant.

VI. BOARD OF DIRECTORS

A. Constitution of the Board of Directors:

The Board of Directors consists of nine directors as follows:

Names	Executive	Non-executive	Independent
Khalid A.Y. Zainal Alireza	✓		
Abdulla Ali Kanoo		✓	✓
Mansour M. Abdul Ghaffar		✓	✓
Abdallah Sadiq Dahlan		✓	
Abdallah Y. Al-Mouallimi		✓	✓
Omar Hashim Khalifati		✓	✓
Adnan Kamel Salah		✓	
Mohammad Ali Al-Naki		✓	✓
Abdulaziz M.A. Yamani		✓	

B. Meetings:

The Board of Directors held four meetings during the year 2007 as follows:

Meeting Date	Directors in Attendance	
	In Person	*By Proxy*
# 58) 10-01-2007	Khalid A.Y. Zainal Alireza Abdulla Ali Kanoo Abdallah Sadiq Dahlan Abdallah Y. Al-Mouallimi Omar Hashim Khalifati Adnan Kamel Salah	Abdulaziz M.A. Yamani Mohammad Ali Al-Naki Mansour M. Abdul Ghaffar
# 59) 06-03-2007	Khalid A.Y. Zainal Alireza Abdallah Sadiq Dahlan Adnan Kamel Salah	Abdulla Ali Kanoo Mansour M. Abdul Ghaffar Mohammad Ali Al-Naki
# 60) 11-04-2007	Khalid A.Y. Zainal Alireza Abdallah Y. Al-Mouallimi Omar Hashim Khalifati Adnan Kamel Salah	Mohammad Ali Al-Naki Abdulla Ali Kanoo Mansour M. Abdul Ghaffar
# 61) 26-09-2007	Khalid A.Y. Zainal Alireza Abdallah Sadiq Dahlan Abdallah Y. Al-Mouallimi Omar Hashim Khalifati Adnan Kamel Salah Mohammad Ali Al-Naki Abdulaziz M.A. Yamani	Abdulla Ali Kanoo

C. Directorships in other Joint Stock Companies (only listed and traded):

Director	Company
Khalid A.Y. Zainal Alireza	Saudi Cable Company
Abdulla Ali Kanoo	–
Mansour M. Abdul Ghaffar	- Saudi Cable Company - Saudi Telecom Company
Abdallah Sadiq Dahlan	- Saudi Electricity Company - Saudi Industrial Services Co. (SISCO)
Abdallah Y. Al-Mouallimi	- Sanad for Cooperative Insurance
Omar Hashim Khalifati	- Al Ahli Takaful Company
Adnan Kamel Salah	
Mohammad Ali Al-Naki	–
Abdulaziz M.A. Yamani	Aseer Company for Trading, Tourism, Industry, Agriculture & Contracting

D. Board Committees:

Audit Committee:

i) Mandate:

The main objectives of the committee include ensuring the adequacy and soundness of the internal control structure, financial accounting and reporting policies and procedures as well as ensuring effectiveness of the external audit function. It also reviews the Company's financial statements.

ii) Audit Committee Members:

Members	Non-executive	Shareholder	Position
Omar Hashim Khalifati	✓		Chairman
Abdallah Sadiq Dahlan	✓		Member
Ali Abdullah Kanoo		✓	Member
Asad Hameed		✓	Member

iii) Meetings:

The committee held three meetings during 2007 as follows:

No. & Meeting Date	Name
# 29) 10-01-2007	Omar Hashim Khalifati Abdallah Sadiq Dahlan Asad Hameed
# 30) 11-04-2007	Omar Hashim Khalifati Asad Hameed Ali Abdullah Kanoo
# 31) 26-09-2007	Omar Hashim Khalifati Asad Hameed Ali Abdullah Kanoo

E. Movement In Shares Owned By Directors And Their Immediate Family Members

Ownership Details Of Directors

Name	No. of shares start of year	Ownership % start of year	Net change during year	% change during year	No. of shares end of year	Ownership % end of year
Khalid A.Y. Zainal Alireza *	111,035	0.160%	-	0.000%	111,035	0.160%
Abdulla Ali Kanoo *	11,000	0.016%	-	0.000%	11,000	0.016%
Mansour M. Abdul Ghaffar **	50	0.000%	450	0.001%	500	0.001%
Abdallah Sadiq Dahlan *	1,000	0.001%	-	0.000%	1,000	0.001%
Abdallah Y. Al-Mouallimi *	2,000	0.003%	-	0.000%	2,000	0.003%
Omar Hashim Khalifati *	22,060	0.032%	-	0.000%	22,060	0.032%
Adnan Kamel Salah *	2,000	0.003%	-	0.000%	2,000	0.003%
Mohammad Ali Al-Naki *	1,000	0.001%	-	0.000%	1,000	0.001%
Abdulaziz M. A. Yamani *	1,000	0.001%	-	0.000%	1,000	0.001%

* *Includes 1,000 shares as membership guarantee.*

** *This director was asked to hold the minimum share requirement for directorship.*

VII. REMUNERATION OF CHAIRMAN, BOARD OF DIRECTORS, AUDIT COMMITTEE AND TOP EXECUTIVES

Meeting fees for Board of Directors and Audit Committee, and remuneration for the Chairman, for the year totaled SR370,000 as detailed below:

Name	Board Meeting fees	Audit Committee meeting fees	Chairman's remuneration
Khalid A.Y. Zainal Alireza	9,000		300,000
Abdullah Ali Kanoo	3,000		
Mansour M. Abdul Ghaffar			
Abdallah Sadiq Dahlan	6,000		
Abdallah Y. Al-Mouallimi	9,000		
Omar Hashim Khalifati	9,000	9,000	
Adnan Kamel Salah	9,000		
Mohammad Ali Al-Naki	3,000		
Abdulaziz M.A. Yamani	3,000		
Asad Hameed		6,000	
Ali Abdullah Kanoo		4,000	
Total	**51,000**	**19,000**	**300,000**

Top Executives

	2007 (SR '000)	2006 (SR '000)
President & COO	772	651
Vice President – Finance	308	470
Assistant Vice President – Business Dev.	406	400
HR & Administration Manager	164	104
Total	**1,650**	**1,625**

VIII. TRANSACTIONS WITH RELATED PARTIES

A portion of the Company's general and administrative expenses and project-related costs are charged by affiliates by way of sharing the cost of some common services. Prices and terms of payment are approved by management.

IX. PROFIT DISTRIBUTION POLICY

The annual net profits achieved – after deducting all general expenses & other costs – shall be distributed as follows:

10% of the net profits shall be set aside to form a statutory reserve, and the ordinary general assembly may stop such a procedure when the said reserve amounts to half of the Company capital.

From the balance, a first payment not less than 5% of the paid capital, shall be distributed as dividends to the shareholders.

A percent of not more than 10% of the net profits shall be allocated, after that, as a remuneration for the members of the board of directors, provided, however, that the member remuneration shall not exceed the amount determined by the instructions issued by the Ministry of Commerce to this effect.

Then, the balance shall be distributed among the shareholders as an additional share of the profits, or it may be carried forward to the following years, in the way agreed upon by the general assembly.

The dividends to be distributed among shareholders shall be paid in the place and at the time determined by the board of directors, taking into consideration the instructions issued by the Ministry of Commerce in this regards.

X. POTENTIAL BUSINESS RISKS

The Company and its subsidiary are subject to the risk of changes in the rate of financial charges on its financial assets and liabilities, including bank deposits, bank facilities and term loans.

Alujain’s major investment is NATPET and therefore, any risks faced by NATPET will impact Alujain’s financial results, noting that there could be some technical issues while commissioning and starting up of the plants.

XI. CORPORATE GOVERNANCE

The Company is doing its best to comply with the regulations. Partial implementation has taken place and the Company will embark on developing a full range of policies and procedures as required to comply with those rules and satisfy the Company’s needs. It has to be noted that implementation of some rules requires amendments to the Company’s Articles of Association.

The Company will follow the accumulative voting method for the election of its directors during the next election.

XII. BOARD DECLARATIONS

1. The Company's financial statements were prepared in accordance with the accounting principles generally accepted in the Kingdom of Saudi Arabia and such accounting principles are applied on consistent basis.
2. The Company maintains proper books of accounts.
3. The external auditor has given an unqualified opinion on the financial statements.
4. During the last fiscal year the Company did not have operational activities therefore no turnover related disclosures are made in this report.
5. The Company's Internal Control has been developed on sound basis and is effectively being carried out. The Company has an adequate internal auditing committee and internal audit function which ensure that satisfactory internal controls are in place.
6. There were no penalties or preventive restrictions imposed on the Company during last fiscal year.
7. There is absolutely no trace of doubt that the Company is a going concern.
8. The Company has not issued any debt or financial instruments such as stock options or stock rights that may be converted into shares.
9. There were no contracts awarded to any related parties during the year.
10. There were no outstanding loans during the year, except the loans taken by the subsidiary, as mentioned in section IV of this report; however no loans were repaid during the period.
11. There were no loans given to any of its directors.
12. The Company has not made any deals relating to its own stocks.
13. No waiver of compensation has been received from any member of the Board.
14. There were no share dealings entered by the Company with any of its directors or immediate members of their families.
15. No waiver of rights has been received from any shareholder.
16. The Company has not made any investments or created reserves for its employees, except for, as is required by Saudi Labor Law and company policies.

XIII. BOARD OF DIRECTORS' RECOMMENDATIONS TO THE SHAREHOLDERS

1. Approval of the Board of Directors' Report for 2007.
2. Approval of the 2007 year-end financial statements and external auditors' report.
3. Approval of the appointment of external auditors for year 2008 from amongst the firms nominated by the Audit Committee.
4. Absolving the Board of Directors of their responsibilities for the financial year 2007.

The Board of Directors wishes to express its appreciation and gratitude to the Custodian of the two Holy Mosques, King Abdullah Bin Abdul Aziz Al Saud, HRH Crown Prince Sultan Bin Abdul Aziz Al Saud, Deputy Premier & Minister of Defense & Aviation and Inspector General, and the Government, for their continued support.

The Board would also like to thank the shareholders for their support and the management and staff of Alujain for their efforts which helped to make 2007 a successful year.

BOARD OF DIRECTORS

ALUJAIN CORPORATION
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2007

TOGETHER WITH
AUDITORS' REPORT

ERNST & YOUNG

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Registration No. 45

AUDITORS' REPORT TO THE SHAREHOLDERS OF ALUJAIN CORPORATION

We have audited the accompanying consolidated balance sheet of **ALUJAIN CORPORATION** (a Saudi joint stock company) and its subsidiary as at 31 December 2007 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from 1 to 19 which are an integral part of these consolidated financial statements. These financial statements are the responsibility of the Company's management in accordance with Article (123) of the Companies Regulations. Our responsibility is to express our opinion on these financial statements based on our audit and the information and explanations we obtained which we considered necessary for the purposes of our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above:

1. Present fairly, in all material respects, the financial position of Alujain Corporation and its subsidiary as at 31 December 2007 and the results of their operations and their cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

2. Comply with the financial statement preparation and presentation requirements of the Commercial Code and the Company's by-laws.

إرنست ويونغ
ترخيص
مهني رقم ٤٥
PROFESSIONAL
LICENCE NO. 45
ERNST & YOUNG

ERNST & YOUNG

SAMI FARAH
LICENCE NO. 168

2 February 2008
Jeddah, Kingdom of Saudi Arabia

Alujain Corporation (a Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET
As at 31 December 2007

	Note	*Consolidated 2007 SR*	*Parent only (Note 1) 2006 SR*
ASSETS			
Non-current assets			
Property and equipment, net	3	**9,431,268**	300,548
Work in progress	5&4	**2,271,264,132**	-
Pre-operating expenses	6&4	**43,729,504**	-
Projects under study, net	7	**770,610**	95,907
Investments, net	8&1	**38,059,188**	566,959,061
Security deposit	16	**47,190,623**	81,341,634
Deferred financial charges, net	12	**26,443,345**	-
		2,436,888,670	648,697,150
Current assets			
Inventory		**63,956,868**	-
Amounts due from affiliates	9	**9,848,965**	603,302
Accounts receivable and prepayments		**9,932,568**	758,986
Short-term investments in Murabaha Funds		**25,401,221**	24,580,495
Cash and bank balances		**200,955,796**	38,957,324
		310,095,418	64,900,107
TOTAL ASSETS		**2,746,984,088**	713,597,257
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Authorized capital and fully paid (69,200,000 shares of SR 10 per share)		**692,000,000**	692,000,000
Statutory reserve	10	**17,316,057**	17,316,057
Accumulated losses		**(41,961,162)**	(2,514,923)
Cumulative changes in fair values	11	**(16,844,743)**	(4,307,448)
Total shareholders' equity of the parent company		**650,510,152**	702,493,686
Minority interest		**347,298,387**	-
Total shareholders' equity		**997,808,539**	702,493,686
Non-current liabilities			
Long-term loans	12	**1,549,952,007**	-
End of service benefits		**3,669,075**	2,056,616
		1,553,621,082	2,056,616
Current liabilities			
Amount due to affiliates	9	**10,340,059**	660,128
Accounts payable, accruals and other liabilities	13	**115,270,223**	4,233,846
Current portion of long-term loans	12	**61,642,211**	-
Zakat provision		**8,301,974**	4,152,981
		195,554,467	9,046,955
Total liabilities		**1,749,175,549**	11,103,571
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,746,984,088**	713,597,257

The attached notes 1 to 19 form part of these consolidated financial statements.

Alujain Corporation (a Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME
Year Ended 31 December 2007

	Note	*Consolidated* *2007* *SR*	*Parent only (Note 1)* *2006* *SR*
Commission and dividend income	14	**19,570,889**	6,564,176
Revenue from investments in Murabaha Funds		**1,791,990**	3,566,067
Realized gain on investments, net		**1,009,805**	-
Write back of prior years' provision for investments, net		**-**	5,833,727
Gain on sale of property and equipment		**187,472**	1,000
		22,560,156	15,964,970
Provision for other investments	8	**(1,620,790)**	-
Provision for projects under study	7	**(463,372)**	-
Provision for non-temporary decline in value of investments	11	**-**	(5,033,090)
General and administrative expenses	15	**(59,400,000)**	(7,021,773)
Changes in fair value of derivatives		**(8,144,963)**	-
NET (LOSS) INCOME BEFORE ZAKAT		**(47,068,969)**	3,910,107
Zakat		**(14,416,464)**	(3,559,950)
NET (LOSS) INCOME BEFORE MINORITY INTEREST		**(61,485,433)**	350,157
Minority Interest		**22,039,194**	-
NET (LOSS) INCOME		**(39,446,239)**	350,157
(Loss) income per common share		**(0.570)**	0.005

The attached notes 1 to 19 form part of these consolidated financial statements.

Alujain Corporation (a Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended 31 December 2007

	Consolidated 2007 SR	*Parent only (Note 1) 2006 SR*
OPERATING ACTIVITIES		
Net (loss) income	**(39,446,239)**	350,157
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Net expenses of project under progress charged to income statement	**13,194,049**	-
Depreciation	**1,942,392**	122,370
Zakat	**11,115,169**	3,559,950
Provision for other investments	**1,620,790**	-
Provision for projects under study	**463,372**	-
Realized gain on investments	**(1,009,805)**	-
Change in fair value of derivatives	**8,144,963**	-
Write back of prior years' provision for investment, net	-	(5,833,727)
Provision for non-temporary decline in value of investments	-	5,033,090
Revenue from investments in Murabaha Funds	**(1,791,990)**	(3,566,067)
Gain on sale of property and equipment	**(187,472)**	(1,000)
Minority interest	**(22,039,194)**	-
Changes in operating assets and liabilities:		
Accounts receivable and prepayments	**1,096,764**	50,657
Amounts due from affiliates	**(697,771)**	(136,292)
Accounts payable, accruals and other liabilities	**(6,442,356)**	(583,273)
Amounts due to affiliates	**7,099,013**	(359,654)
End of service benefits	**573,745**	276,841
Zakat paid	**(8,050,891)**	(3,068,148)
Net cash used in operating activities	**(34,415,461)**	(4,155,096)
INVESTING ACTIVITIES		
Proceeds from sale of available for sale investments	**18,111,284**	-
Expenditure on projects under study	**(1,138,075)**	(1,662,052)
Work in progress, net	**(827,909,214)**	-
Movement of short-term investments in Murabaha Funds	**971,264**	68,051,615
Security deposit	**34,151,011**	(19,001,853)
Payments for purchase of property and equipment	**(9,322,642)**	(129,524)
Proceeds from sale of property and equipment	**201,000**	1,000
Investment in an associate	-	(20,830,000)
Purchase of investment in available for sale investments	-	(3,814,855)
Net cash (used in) provided by investing activities	**(784,935,372)**	22,614,331
FINANCING ACTIVITIES		
Long-term loans	**1,411,594,218**	-
Short-term loans	**(505,703,242)**	-
Net cash provided by financing activities	**905,890,976**	-

The attached notes 1 to 19 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended 31 December 2007

	Consolidated *2007* *SR*	*Parent only (Note 1)* *2006* *SR*
NET INCREASE IN CASH AND BANK BALANCES	**86,540,143**	18,459,235
Cash and Bank Balances - beginning of the year:		
- Parent company	**38,957,324**	20,498,089
- Subsidiary company	**75,458,329**	-
	114,415,653	20,498,089
CASH AND BANK BALANCES - END OF THE YEAR	**200,955,796**	38,957,324
SUPPLEMENTARY INFORMATION FOR NON-CASH TRANSACTIONS		
Total assets as at 1 January 2007 transferred by a subsidiary	**(1,084,793,535)**	-
Total liabilities as at 1 January 2007 transferred by a subsidiary	**1,160,251,864**	-
Net expenses of project under progress reclassified to work in progress (Note 4)	**56,080,006**	-
Net expenses of project under progress reclassified to pre-operating expenses (Note 4)	**43,729,504**	-
Inventory transferred from work in progress	**63,956,868**	-
Amortization of deferred financial charges transferred to work in progress	**3,145,936**	-
Refund of amounts advanced to projects under implementation transferred to security deposit	-	52,043,334

The attached notes 1 to 19 form part of these consolidated financial statements.

Alujain Corporation (a Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
Year Ended 31 December 2007

	Note	*Consolidated* 2007 SR	*Parent only (Note 1)* 2006 SR
SHAREHOLDERS' EQUITY OF THE PARENT COMPANY			
CAPITAL		**692,000,000**	692,000,000
STATUTORY RESERVE	10	**17,316,057**	17,316,057
ACCUMULATED LOSSES			
Beginning balance		**(2,514,923)**	(2,865,080)
Net (loss) income for the year		**(39,446,239)**	350,157
Ending balance		**(41,961,162)**	(2,514,923)
CUMULATIVE CHANGES IN FAIR VALUES	11		
Beginning balance		**(4,307,448)**	(15,603,117)
Fair value adjustments		**(12,537,295)**	6,262,579
Provision for non-temporary decline in value of investment		**-**	5,033,090
Ending balance		**(16,844,743)**	(4,307,448)
TOTAL SHAREHOLDERS' EQUITY OF THE PARENT COMPANY		**650,510,152**	702,493,686
Minority interest		**347,298,387**	-
TOTAL SHAREHOLDERS' EQUITY		**997,808,539**	702,493,686

The attached notes 1 to 19 form part of these consolidated financial statements.

1. ACTIVITIES

Alujain Corporation is a joint stock company incorporated and operating in the Kingdom of Saudi Arabia under Ministerial Decision No. 694, dated Jamad Thani 15, 1412H (corresponding to 21 December 1991). The Corporation obtained its Commercial Registration on Rajab 3, 1412H (corresponding to 7 January 1992).

In compliance with the Council of Ministers decree dated 27/2/1427H (corresponding to 27 March 2006) to reduce the par value of all listed Saudi Joint Stock Companies' shares to SR 10 by splitting the single share to 5 shares, the Corporation's number of shares was adjusted from 13,840,000 shares of SR 50 each to 69,200,000 shares of SR 10 each after the split. The Corporation's split shares started to be traded in the stock market on Saturday 17/3/1427H (corresponding to 15 April 2006).

The objectives of the Corporation are to promote and invest in metal and petrochemical industries and other industrial projects.

During the year ended 31 December 2006, Alujain Corporation has transferred an amount of SR 360 million from projects under implementation to its investment in National Petrochemical Industrial Company (NATPET), which was converted by NATPET during the second quarter of 2007 to common shares as Alujain's additional investment in NATPET, thus increasing Alujain's share in NATPET from 37.03% to 57.4%. Therefore, the accompanying consolidated financial statements include the financial statements of NATPET as at 31 December 2007. The 2006 comparative figures are the standalone financial statements of Alujain.

In 2004, management of the subsidiary company decided to form a joint venture company - Teldene, to operate the subsidiary company's project. This decision was revised by the subsidiary's Board of Directors which resolved in its meeting on 19 September 2007 that the project will now be operated by the subsidiary company, NATPET. Previously the net expenses of the project were to be recovered by NATPET from the proposed joint venture project company - Teldene. Following the Board of Directors' above decision, these expenses have now been charged to the income statement or reclassified to pre-operating expenses and work in progress (see Note 4). The current status of the project and the different stages that the project has gone through since inception are detailed in Notes 4 and 5.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The following is a summary of the Company's significant accounting policies:

Basis of consolidation
The consolidated financial statements comprise the financial statements of Alujain Corporation (the parent company) and its subsidiary (National Petrochemical Industrial Company), "the Group". All material intercompany transactions and balances are eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)
The subsidiary is consolidated from the date the parent company obtains control until such time control ceases. Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. The attributable equity interests of third parties in the Group are included under the minority interest caption in these consolidated financial statements.

Accounting convention
The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments, short-term investment in Murabaha funds and derivative financial instruments.

Pre-operating expenses
Pre-operating expenses are charged to the statement of income unless their future benefits have been determined in which case they will be amortized using the straight line basis over 7 years or their estimated period of benefit, whichever is shorter, from the commencement of operations.

Deferred financial charges
Deferred financial charges represent administration fees related to long-term borrowings, being amortized over the term of the loan on a straight line basis. Amortization charges are capitalized and charged to work in progress during the construction period.

Expenses of project under progress
Expenses of project under progress represent costs incurred during the construction of the plant up to 30 June 2007 (see Note 4).

Investments
Short-term investments in Murabaha funds are carried at fair value and included under current assets. Changes in fair values are included in the statement of income.

Investments in trading securities are carried at market value. Unrealized holding gains and losses are included in the statement of income.

Investments in available for sale securities are carried at market value. Unrealized holding gains and losses are included in shareholders' equity until realized. Realized gains and losses are taken to the statement of income.

Associates are companies in which the Company has a long-term investment comprising an interest of not less than 20% in the voting capital and over which it exerts significant influence. The financial statements include the equity share of the Company in the associates' results based on their latest audited financial statements or management accounts.

Other investments are carried at cost with provisions for any permanent decline in value.

Inventories
Inventories are stated at the lower of cost and market value, net of provision for slow moving and obsolete items. Cost is determined on a weighted average basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Projects under study
Projects under study are stated at cost and are provided for to the extent that they may not be recoverable on the basis of a review of each project and an assessment of the outcome. Project costs are written off when a project is no longer considered viable.

Property and equipment
Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvements or the term of the lease.

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Accounts payable, accruals and other liabilities
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions
Provisions are recognized when the company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

Zakat
According to the financial accounting standard for Zakat, the Zakat provision for each of the Company and its subsidiary for each separate fiscal period are measured and recorded in accordance with the provisions and rules of Zakat applied in the Kingdom of Saudi Arabia based on an accrual basis. Such provision is charged to the consolidated statement of income.

End of service benefits
Benefits payable to the employees of the Group at the end of their services are provided for in accordance with the guidelines set by the Saudi Arabian Labor Law.

Foreign currency translation
The accompanying consolidated financial statements are in Saudi Riyals. Appropriate exchange rates are used to translate transactions or balances denominated in foreign currencies. Exchange differences are recorded in the consolidated statement of income.

Fair values
For investments traded in organised markets, fair value is determined by reference to quoted market bid prices.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging
The Group uses derivative financial instruments (interest rate swaps) to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the statement of income.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documents include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while any ineffective portion is recognized immediately in the statement of income.

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction or firm commitment occurs.

3. PROPERTY AND EQUIPMENT, NET

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Leasehold improvements	3-10 years
Furniture and fixtures	10 years
Office equipment	4 years
Computers	3-4 years
Vehicles	4 years

Details of property and equipment as at 31 December are as follows:

	Consolidated 2007					
Description	*Leasehold improvements SR*	*Furniture and fixtures SR*	*Office equipment SR*	*Computers SR*	*Vehicles SR*	*Total SR*
Cost:						
At the beginning of the year	-	630,807	577,446	-	481,260	1,689,513
Acquired from a subsidiary	51,255	241,930	357,155	989,827	468,404	2,108,571
Additions	2,082,507	1,684,271	519,566	4,449,262	587,036	9,322,642
Disposals	-	(630,807)	(1,590)	-	-	(632,397)
At the end of the year	2,133,762	1,926,201	1,452,577	5,439,089	1,536,700	12,488,329
Depreciation:						
At the beginning of the year	-	615,539	428,661	-	344,765	1,388,965
Acquired from a subsidiary	-	32,217	32,143	121,677	158,536	344,573
Charge for the year	457,171	168,934	189,425	906,217	220,645	1,942,392
Disposals	-	(617,279)	(1,590)	-	-	(618,869)
At the end of the year	457,171	199,411	648,639	1,027,894	723,946	3,057,061
Net Book Amounts	1,676,591	1,726,790	803,938	4,411,195	812,754	9,431,268

	Parent only (Note 1) 2006					
Description	*Leasehold improvements SR*	*Furniture and fixtures SR*	*Office equipment SR*	*Computers SR*	*Vehicles SR*	*Total SR*
Cost:						
At the beginning of the year	-	619,632	524,466	-	481,260	1,625,358
Additions	-	11,175	118,349	-	-	129,524
Disposals	-	-	(65,369)	-	-	(65,369)
At the end of the year	-	630,807	577,446	-	481,260	1,689,513
Depreciation:						
At the beginning of the year	-	613,969	437,454	-	280,541	1,331,964
Charge for the year	-	1,570	56,576	-	64,224	122,370
Disposals	-	-	(65,369)	-	-	(65,369)
At the end of the year	-	615,539	428,661	-	344,765	1,388,965
Net Book Amounts	-	15,268	148,785	-	136,495	300,548

4. NET EXPENSES OF PROJECT UNDER PROGRESS

On 20 February 1991, Xenel Industries Ltd. (one of the investing companies in the project) signed a technology supply agreement with Himont, an American company, to establish a factory in the industrial city in Yanbu. The factory is to produce polypropylene with a production capacity of 180 thousand tons yearly. In addition, it has been agreed to supply the project with propylene as a raw material through Al-Fasel project that is related to one of the investing companies in the project.

On 31 March 1995, the ownership of Himont was transferred to Montell Technology - an American company, and the technology supply agreement was renewed with Montell Technology on 25 September 1995 where the capacity of Propylene production was increased to 240 thousand tons yearly, and also to supply the project with 250 thousand tons yearly of Propylene through Al-Fasel Project. In addition, it was agreed with Saudi Aramco Co. to provide the project with Propane gas.

On 21 February 1997, Xenel Industries Ltd. signed the final technology supply agreement with Montell Technology Company. The agreement included the increasing of Polypropylene capacity to 280 thousand tons yearly.

During the year 2000, Montell Technology Company merged with BASF - a German Company, to form Basell Company, where Basell Co. decided to break off the joint venture with the Company. The Company resumed negotiations with Basell Co. to renew the Technology Supply agreement which was signed on 24 April 2004.

Net expenses of project under progress included an amount of SR 33,380,990, representing expenses paid by the Company for the project during 1 September 1989 to 1 February 1999 through one of the investing companies in the project. These expenses comprise of the following:

	SR
Salaries and wages	**16,555,153**
Travel and accommodation	**3,162,232**
Legal and professional fees	**974,729**
Engineering and technical assistance	**1,550,374**
Supply of technology	**5,725,508**
Rents	**623,867**
Postage, phone and electricity	**429,243**
Subscriptions	**2,180,856**
Others	**4,224,428**
Expenses recovered from affiliated companies (*)	**(2,045,400)**
	33,380,990

(*) Expenses were paid on behalf of affiliated companies for joint activities.

The balance of net expenses of project under progress up to 30 June 2007 was SR 120,333,690. During the three months ended 30 September 2007, following the NATPET Board of Directors' decision that the project will now be operated by NATPET, out of the SR 120,333,690 net expenses of project under progress incurred up to 30 June 2007, the subsidiary Company has charged a net amount of SR 20,524,180 to its income statement and reclassified amounts of SR 56,080,006 and SR 43,729,504 to work in progress and pre-operating expenses, respectively. Previously it was intended that the net expenses of the project would be recovered from the proposed joint venture project company, which will no longer be formed as per the decision of the NATPET Board of Directors' on 19 September 2007 (see Note 1).

4. NET EXPENSES OF PROJECT UNDER PROGRESS (continued)

The movement of net expenses of project under progress for the period from 30 June 2007 to 30 September 2007 is as follows:

		SR
Balance as at 30 June 2007		**120,333,690**
Transfer from net expenses during the period		
1 July 2007 to 30 September 2007:		
Amount transferred to statement of income during the period:		
Interest income (Note 14)	**12,086,944**	
General and administration expenses (Note 15)	**(25,309,829)**	
Zakat	**(7,301,295)**	
Net amount charged to statement of income		**(20,524,180)**
Amount reclassified to work in progress (Note 5)		**(56,080,006)**
Amount reclassified to pre-operating expenses (Note 6)		**(43,729,504)**
End of the year		**-**

Net expenses of project under progress were comprised of the following up to 30 June 2007:

	SR
EXPENSES	
Salaries and wages	**64,508,086**
Travel and accommodation	**16,360,092**
Legal and professional fees	**5,145,928**
Engineering and technical assistance	**16,110,422**
Supply of technology	**5,725,508**
Rents	**2,396,859**
Postage, phones and electricity	**1,502,583**
Subscriptions	**2,983,102**
End of services benefits	**2,118,283**
Depreciation	**874,936**
Other	**14,411,788**
Expenses recovered from affiliated companies	**(7,018,248)**
Total expenses	**125,119,339**
Interest income	**(12,086,944)**
Net expenses before Zakat	**113,032,395**
Zakat	**7,301,295**
Net expenses	**120,333,690**

As mentioned above, the balance of net expenses of project under progress up to 30 June 2007 of SR 120,333,690 has been charged to the income statement / reclassified to work in progress and pre-operating expenses, following the decision of the NATPET Board of Directors on 19 September 2007 to retain the Teldene Polypropylene project in NATPET.

5. WORK IN PROGRESS

Work in progress represents Teldene Polypropylene and AlFasel Propylene Projects which were combined as one integrated complex for strategic, economic and financial consideration.

On 3 March 2004, the Company and Tecnimont - an Italian Company, signed the Engineering, Procurement and Construction (EPC) Contract. The Company asked to convert this EPC contract to Lump Sum Turn Key Contract which was signed on 7 February 2005 where the capacity of polypropylene production was increased to 400 thousand tons yearly. Also, during 2005, the Company and Lurgi - a German Company, signed a lump sum Turn Key contract.

The land and utilities agreements of the Royal Commission in Yanbu, Saudi Arabia, have been signed on a conditional basis.

Lurgi Company of Germany and Tecnimont Company of Italy (the Contractors) started the engineering, procurement and construction activities according to the early work agreement. Currently, the overall progress of the plant exceeds 98%. The subsidiary company has signed a facility agreement on 28 February 2006 with a consortium of seven local and international banks. The consortium has agreed to lend the Company an amount of US$ 411 million. Also, the Company signed a loan agreement with the SIDF for a loan amount of SR 400 million. NATPET reached a 10 years marketing agreement with Noble Americas under which Noble will market about 50% of the Polypropylene production capacity of 400,000 tones per year. NATPET will have the option of increasing the quantity up to 100% of capacity. This off-take will be sold in South East Asia, Indian Subcontinent and China which are all promising markets. Noble has invested up to US$ 5 million in the project.

Concurrently, the subsidiary company and SABIC Industrial Investments Company signed an agreement for marketing 50% of polypropylene production.

Commissioning and start up of the complex is envisioned to be in the second quarter of 2008.

The fixed assets of the plant, which are included under work in progress, are mortgaged to the Saudi Industrial Development Fund (SIDF) as security against the term loan received from the fund.

6. PRE-OPERATING EXPENSES

Pre-operating expenses represents the amount reclassified by the subsidiary Company from net expenses of project under progress and relates to project development expenditure incurred prior to 2002. These expenses have been capitalized as pre-operating expenses following the NATPET Board of Directors decision on 19 September 2007 to retain the Teldene Polypropylene project in NATPET, as management believes that the future benefit associated with these costs is certain and evident.

7. PROJECTS UNDER STUDY, NET

The movement of the projects under study (2006: projects under implementation) for the years ended 31 December was as follows:

	Consolidated *2007* *SR*	*Parent only (Note 1)* *2006* *SR*
Beginning balance	**95,907**	392,080,334
Addition during the year	**1,138,075**	136,259
Provision during the year	**(463,372)**	(40,352)
Write back of prior years' provision	-	12,096,333
Transferred to investments in an associate (see below)	-	(360,000,000)
Amounts recovered	-	(44,176,667)
Ending balance	**770,610**	95,907

Based on the approval of Alujain's ordinary general shareholders' meeting dated 23 May 2006, Alfasel propylene project developed by Alujain Corporation, and Teldene polypropylene project developed by NATPET have been combined as one integrated complex for strategic, economic and financing considerations.

During the year ended 31 December 2006, the Company transferred an amount of SR 360 million from projects under implementation to investment in an associate (NATPET). NATPET has finalized the process of increasing its capital to account for this amount together with investment by other shareholders. Accordingly, NATPET became a subsidiary in 2007 (note 8).

8. INVESTMENTS, NET

Investments are comprised of the following as at 31 December:

	Consolidated *2007* *SR*	*Parent only (Note 1)* *2006* *SR*
Investment in an associate - see (a) below	-	526,640,000
Available for sale securities - see (b) below	**36,633,638**	37,272,721
Other investments - see (c) below	**1,425,550**	3,046,340
	38,059,188	566,959,061

8. INVESTMENTS, NET (continued)

a) The movement in the investment in an associate during the year ended 31 December 2006 was as follows:

	Parent only (Note 1) 2006 SR
Beginning balance	148,964,031
Additions during the year	20,830,000
Provision during the year	(3,154,031)
	166,640,000
Transferred from projects under implementation (note 7)	360,000,000
Ending balance	526,640,000

The balance of SR 166,640,000 at 31 December 2006 represented the Company's share of 37.03% in the capital of National Petrochemical Industrial Company (NATPET). During the year ended 31 December 2006, Alujain Corporation transferred an amount of SR 360 million from projects under implementation to its investment in NATPET, which was converted by NATPET during the second quarter of 2007 to common shares as Alujain's additional investment in NATPET, thus increasing Alujain's share in NATPET from 37.03% to 57.4%. Therefore, NATPET became a subsidiary company rather than an associate.

b) The movement in the available for sale securities during the years ended 31 December was as follows:

	Consolidated 2007 SR	*Parent only (Note 1) 2006 SR*
Beginning balance	**37,272,721**	24,300,287
Disposals during the year	**(19,329,801)**	-
Unrealized gain on revaluation of investments	**18,690,718**	6,262,579
Additions during the year	-	3,814,855
Transferred from other investments	-	2,895,000
Ending balance	**36,633,638**	37,272,721

c) The movement in the other investments during the years ended 31 December was as follows:

	Consolidated 2007 SR	*Parent only (Note 1) 2006 SR*
Beginning balance	**3,046,340**	9,009,563
Provision during the year	**(1,620,790)**	(3,068,223)
Transferred to available for sale securities	-	(2,895,000)
Ending balance	**1,425,550**	3,046,340

9. RELATED PARTY TRANSACTIONS

A portion of the Company's general and administrative expenses and project-related costs are charged by affiliates. Prices and terms of payment are approved by management.

The Company had the following related party transactions during the year ended 31 December:

Related party	Nature of transaction	***Consolidated 2007 SR***	*Parent only (Note 1) 2006 SR*
Board of Directors	Remunerations	**370,000**	701,000
Hidada Company Ltd.	Joint expenses charged by the Company	**169,043**	917
Saudi Cable Company	Joint expenses charged by the Company	**155,156**	645
Saudi Cable Company	Joint expenses charged to the Company	**163,260**	159,120
Xenel Industries Co. Ltd.	Joint expenses charged to the Company	**8,990,142**	1,808,294
Safra Company Ltd.	Joint expenses charged to the Company	**14,653,800**	-
Safra Company Ltd.	Joint expenses charge by the Company	**846,801**	270,535
NATPET	Joint expenses charged by the Company	**749,572**	58,877,646

Related party balances are comprised of the following:

	Consolidated 2007 SR	*Parent only (Note 1) 2006 SR*
Due from related parties		
Saudi Cable Company	**194,798**	-
Xenel Industries Co. Ltd.	**8,190,000**	-
Arab Pesticide Industries Co. (MOBEED)	**246,458**	246,458
Safra Company Ltd.	**669,711**	172,615
Hidada Company Ltd	**547,998**	917
National Petrochemical Industrial Company (NATPET)	**-**	183,312
	9,848,965	603,302
Due to related parties		
Saudi Cable Company	**695,278**	644,845
Saudi Information Development Industries (SIDI)	**15,283**	15,283
Xenel Industries Co. Ltd.	**5,932,110**	-
Safra Company Ltd.	**3,697,388**	-
	10,340,059	660,128

10. STATUTORY RESERVE

In accordance with Saudi Arabian Companies Law and the Company's Articles of Association, 10% of the annual net income is required to be transferred to the statutory reserve until this reserve equals 50% of the capital. No transfer to the reserve was made in 2007 and 2006, as the Company has accumulated losses. The statutory reserve is not available for dividend distribution.

11. CUMULATIVE CHANGES IN FAIR VALUES

Movement in cumulative changes in fair values was as follows:

	***Consolidated* 2007 SR**	*Parent only (Note 1) 2006 SR*
Beginning balance	**(4,307,448)**	(15,603,117)
Unrealized gain on revaluation of investments, net of amount realized on disposed investments	**16,462,396**	6,262,579
Unrealized loss relating to cash flow hedges (note 2)	**(28,999,691)**	-
Provision for non-temporary decline in fair value of investments	**-**	5,033,090
Ending balance	**(16,844,743)**	(4,307,448)

12. LONG TERM LOANS

The subsidiary Company has signed loan agreements with local banks and SIDF in order to finance the construction of its project. The loan balance as at 31 December is comprised of the following:

	***Consolidated* 2007 SR**	*Parent only (Note 1) 2006 SR*
Commercial Banks' Syndication	**1,232,844,218**	-
SIDF Loan	**360,000,000**	-
Others	**18,750,000**	-
	1,611,594,218	-
Less: Current portion of Commercial Banks' Syndication	**(61,642,211)**	-
	1,549,952,007	-

The SIDF loan amount is SR 400 million of which SR 360 million was drawn down by 31 December 2007. The SIDF loan carries administration fees amounting to SR 30 million (deferred financial charges balance of SR 26,443,345 as at 31 December 2007, appearing in the balance sheet), which is being amortized over the term of the loan on a straight line basis. The SIDF loan is repayable in 13 bi-annual installments starting in 2010 and is secured by a mortgage over the fixed assets of the project and corporate guarantee as follows:

Xenel Industries Co. Ltd	47.97%
Safra Company Ltd.	10%
Alujain Corporation	37.03%

The Commercial Banks' Syndication term loans are secured by a second charge on the Company's assets. These loans carry borrowing costs at commercial rates and are repayable in 18 bi-annual installments commencing from the final quarter of 2008. The installments due in 2008 are shown as a current liability.

13. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

Accounts payable, accruals and other liabilities are comprised of the following as at 31 December:

	Consolidated 2007 SR	*Parent only (Note 1) 2006 SR*
Accounts payable	**28,544,984**	534,912
Provisions	**-**	1,084,715
Accrued expenses	**27,686,844**	2,070,609
Change in fair value of derivatives	**58,667,073**	-
Other payables	**371,322**	543,610
	115,270,223	4,233,846

14. COMMISSION AND DIVIDEND INCOME

Commission and dividend income is comprised of the following for the years ended 31 December:

	Consolidated 2007 SR	*Parent only (Note 1) 2006 SR*
Commission income (see note below)	**18,306,673**	4,731,006
Dividend income	**1,264,216**	1,833,170
	19,570,889	6,564,176

This amount includes SR 12,086,944 transferred from net expenses of project under progress up to 30 June 2007, relating to the subsidiary Company (Note 4).

15. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following for the years ended 31 December:

	Consolidated 2007 SR	*Parent only (Note 1) 2006 SR*
Salaries and wages	**20,757,046**	2,733,555
Travel and accommodation	**4,563,766**	344,756
Meetings, seminars & conferences	**1,519,593**	821,951
Legal and professional fees	**3,072,554**	1,174,884
Public relation and publicity	**928,703**	394,588
Board of directors	**370,000**	701,000
Engineering and technical assistance	**1,656,352**	-
Rents	**4,825,586**	300,000
Postage, phones and electricity	**3,588,809**	182,745
Subscriptions	**714,979**	65,669
End of services benefits	**996,026**	-
Depreciation	**2,286,965**	86,447
Information technology	**232,493**	-
Repairs and maintenance	**111,840**	66,336
Other	**20,793,536**	149,842
Expenses recovered from affiliated companies	**(7,018,248)**	-
	59,400,000	7,021,773

The above expenses include SR 25,309,829 transferred from net expenses of project under progress up to 31 December 2007, relating to the subsidiary Company (Note 4).

16. CONTINGENT LIABILITIES

a) The Company has outstanding letters of credit amounting to SR 55,580,000 of which SR 37,031,448 is secured by bank deposit (2006: SR 67,293,334 which was 100% secured by bank deposit) on behalf of the subsidiary company (NATPET).

b) The Company has given guarantees amounting to SR 10,159,175 as at 31 December 2007 and 2006 to financial institutions in respect of loans taken by Arab Pesticide Industries Co. (MOBEED).

c) The Company had given guarantees amounting to SR 3,889,125 as at 31 December 2006 in favor of the DZIT, which were settled during 2007.

17 RISK MANAGEMENT

Interest rate risk
The Group is subject to interest rate risk on its interest bearing assets and liabilities, including security and bank deposits and loans.

The management limits the Group's interest rate risk by monitoring the changes in interest rate in the currencies in which its interest bearing assets and liabilities are denominated and through interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

Liquidity risk
The Group limits its liquidity risk by ensuring that bank facilities are available. Trade payables are normally settled within 30-90 days of the date of purchase.

Currency risk
The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Riyals, US Dollars and Euros, during the year. Accounts payable include an amount of SR 10,778,036 due in Euros (2006: SR 12,316,738).

18 FAIR VALUES OF FINANCIAL INSTRUMENTS

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. The Group's financial assets consist of cash and bank balances, its financial liabilities consist of bank loans, obligations under finance leases, payables, and accrued expenses and its derivatives consist of interest rate swaps. The fair values of financial instruments are not materially different from their carrying values.

19. RECLASSIFICATIONS

Certain reclassifications have been made to the 2006 consolidated financial statements to conform to the classifications used in 2007.