

**SAHARA PETROCHEMICAL COMPANY AND  
SUBSIDIARY  
(SAUDI JOINT STOCK COMPANY)**

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

**SAHARA PETROCHEMICAL COMPANY AND SUBSIDIARY  
(SAUDI JOINT STOCK COMPANY)**

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

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<b>INDEX</b>	<b>PAGE</b>
Auditors' report	1
Consolidated balance sheet	2
Consolidated statement of operations	3
Consolidated statement of stockholders' equity	4
Consolidated statement of cash flows	5
Notes to the consolidated financial statements	6-15

## AUDITORS' REPORT


To the stockholders  
Sahara Petrochemical Company  
(Saudi Joint Stock Company)  
Riyadh, Saudi Arabia

We have audited the accompanying consolidated balance sheet of Sahara Petrochemical Company (Saudi Joint Stock Company) and Subsidiary as of December 31, 2007 and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended, and notes 1 to 24 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 financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 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 present fairly, in all material respects, the consolidated financial position of the Company and Subsidiary as of December 31, 2007, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles appropriate to the nature of the Company and Subsidiary, 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.

Deloitte & Touche  
Bakr Abulkhair & Co.

  
Nasser M. Al-Sagga  
License No. 322  
30 Dhu Al-Hijjah, 1428  
January 9, 2008



**SAHARA PETROCHEMICAL COMPANY AND SUBSIDIARY**  
(SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED BALANCE SHEET**  
**AS OF DECEMBER 31, 2007**

	Note	2007 SR 000	2006 SR 000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	81,162	812,030
Other receivables and prepayments		1,946	1,177
<b>Total current assets</b>		<b>83,108</b>	<b>813,207</b>
<b>Non-current assets</b>			
Investment in associate	4	760,886	786,718
Cost of projects under development	5	11,226	527
Projects under construction	6	2,092,733	825,953
Property and equipment	7	1,467	488
Intangible assets	8	98,497	52,334
<b>Total non-current assets</b>		<b>2,964,809</b>	<b>1,666,020</b>
<b>TOTAL ASSETS</b>		<b>3,047,917</b>	<b>2,479,227</b>
<b>LIABILITIES, STOCKHOLDERS' EQUITY AND MINORITY INTEREST</b>			
<b>Current liabilities</b>			
Due to banks	9	229,000	-
Accounts payable and other liabilities	10	78,205	84,803
Zakat and tax payable	14	1,623	4,303
<b>Total current liabilities</b>		<b>308,828</b>	<b>89,106</b>
<b>Non-current liabilities</b>			
Long term loan	11	200,000	-
Advances against Islamic facilities	12	112,530	-
End-of-service indemnities	13	3,688	2,069
Retentions payable		85,587	20,228
<b>Total non-current liabilities</b>		<b>401,805</b>	<b>22,297</b>
<b>Stockholders' equity and minority interest</b>			
Share capital	1	1,875,000	1,500,000
Statutory reserve	16	69	48,343
Other reserve	17	(28,074)	-
Retained earnings		103,248	435,086
<b>Total stockholders' equity</b>		<b>1,950,243</b>	<b>1,983,429</b>
<b>Minority interest</b>		<b>387,041</b>	<b>384,395</b>
<b>Total stockholders' equity and minority interest</b>		<b>2,337,284</b>	<b>2,367,824</b>
<b>TOTAL LIABILITIES, STOCKHOLDERS' EQUITY AND MINORITY INTEREST</b>		<b>3,047,917</b>	<b>2,479,227</b>

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

**SAHARA PETROCHEMICAL COMPANY AND SUBSIDIARY  
(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Note	2007 SR 000	2006 SR 000
<b>Revenues</b>			
Murabaha and other income		14,392	31,595
Realized gain on investments		-	160,398
Share of income from associate	4	2,365	5,659
<b>Total revenue</b>		<b>16,757</b>	<b>197,652</b>
<b>Costs and expenses</b>			
General and administrative expenses	15,18	12,381	13,642
Pre-operative and floatation costs		4,980	16,404
Finance charges		-	847
<b>Total costs and expenses</b>		<b>17,361</b>	<b>30,893</b>
<b>Net (loss) income before minority interest and zakat</b>		<b>(604)</b>	<b>166,759</b>
Minority interest		(2,735)	2,505
<b>Net (loss) income before zakat</b>		<b>(3,339)</b>	<b>169,264</b>
Zakat		1,773	4,464
<b>NET (LOSS) INCOME</b>		<b>(5,112)</b>	<b>164,800</b>
<b>Earning per share for the year (in SR)</b>	22	<b>(0.03)</b>	<b>0.88</b>

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

**SAHARA PETROCHEMICAL COMPANY AND SUBSIDIARY**  
**(SAUDI JOINT STOCK COMPANY)**

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

	Share capital SR 000	Statutory reserve SR 000	Unrealized gains on available for sale investments SR 000	Other reserves SR 000	Retained earnings SR 000	Total SR 000
January 1, 2006	1,500,000	31,863	441,606	-	286,766	2,260,235
Net income for the year	-	-	-	-	164,800	164,800
Transfer to statutory reserve	-	16,480	-	-	(16,480)	-
Unrealized gains on available for sale Investments	-	-	(441,606)	-	-	(441,606)
December 31, 2006	1,500,000	48,343	-	-	435,086	1,983,429
Issuance of bonus shares	375,000	(48,343)	-	-	(326,657)	-
Net loss for the year	-	-	-	-	(5,112)	(5,112)
Transfer to statutory reserve	-	69	-	-	(69)	-
Movement in other reserve	-	-	-	(28,074)	-	(28,074)
December 31, 2007	<b>1,875,000</b>	<b>69</b>	<b>-</b>	<b>(28,074)</b>	<b>103,248</b>	<b>1,950,243</b>

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

**SAHARA PETROCHEMICAL COMPANY AND SUBSIDIARY  
(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	2007 SR 000	2006 SR 000
<b>OPERATING ACTIVITIES</b>		
Net (loss) income before zakat	(3,339)	169,264
Adjustments for:		
Depreciation	305	161
End-of-service indemnities	1,653	1,408
Share of income from associate	(2,365)	(5,659)
Minority interest	2,735	(2,505)
Changes in operating assets and liabilities:		
Other receivables and prepayments	(769)	3,953
Accounts payable and other liabilities	(6,598)	79,546
Retentions payable	65,359	20,228
Cash from operations	<u>56,981</u>	266,396
End-of-service indemnities paid	(34)	(144)
Zakat paid	<u>(4,419)</u>	<u>(39,038)</u>
<b>Net cash from operating activities</b>	<u>52,528</u>	227,214
<b>INVESTING ACTIVITIES</b>		
Additions to property and equipment	(1,296)	(188)
Additions to cost of projects under development	(12,231)	(94,508)
Additions to investment in associate	-	(781,200)
Proceeds from disposal of held to maturity investments	-	187,500
Proceeds from disposal of available for sale investments	-	920,184
Proceeds from disposal of property	12	-
Additions to intangible assets	(46,163)	(52,334)
Additions to projects under construction	<u>(1,265,248)</u>	<u>(623,013)</u>
<b>Net cash used in investing activities</b>	<u>(1,324,926)</u>	<u>(443,559)</u>
<b>FINANCING ACTIVITIES</b>		
Due to banks	229,000	-
Proceeds from long term loan	200,000	-
Advances against Islamic facilities	112,530	-
Contributions by minority shareholders	-	386,900
<b>Net cash from financing activities</b>	<u>541,530</u>	386,900
<b>Net change in cash and cash equivalents</b>	<u>(730,868)</u>	170,555
Cash and cash equivalents, January 1	<u>812,030</u>	641,475
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u>81,162</u>	<u>812,030</u>
Non-cash transactions:		
- Cost of projects under development transferred to construction work in progress amounted to SR 1.53 million (2006: SR 202.94 million).		

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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**1. ORGANIZATION AND ACTIVITIES**

Sahara Petrochemical Company ("the Company") is a Saudi Joint Stock Company registered under commercial registration number 1010199710 dated 19 Jumada I, 1425 (July 7, 2004). The authorized, issued and fully paid share capital of the Company, amounting to SR 1,500 million, is divided into 30 million shares of SR 50 each. Based on the Capital Market Authority decision No. 4-154-2006 dated 27/2/1427H (March 27, 2006), the number of shares of the Company was increased to 150 million shares of SR 10 each starting from April 2006.

During the month of March 2007, the Board of Directors proposed to increase the share capital of the Company through transfer of SR 375 million from retained earnings and statutory reserves by issuing 37.5 million bonus shares (one share for every four shares held by the existing stockholders) and also by issuing 100 million right shares totalling SR 1,000 million to be issued to the existing stockholders (two shares for every three shares held by the stockholders). This will increase the capital of the Company to SR 2,875 million, with amounts raised being for the purpose of funding the new projects. In July 2007, the stockholders of the Company in their extraordinary general assembly meeting approved the proposal of Board of Directors to increase the share capital by SR 375 million through capitalization of the statutory reserves and part of retained earnings (one share for every four shares held by the existing stockholders at the date of the extraordinary general meeting). The legal formalities for increase in share capital by issuance of bonus shares have been completed in July 2007. The legal formalities associated with issuance of the additional right shares are still in progress at the year end.

On September 2, 2006, Al Waha Petrochemical Company ("the Subsidiary"), a Saudi limited liability company registered under commercial registration number 2055007751 was incorporated with a share capital of SR 1,237.5 million. The Subsidiary is owned 75% by the Company and 25% by Basell Arabie Investments. Through a shareholders resolution dated December 19, 2006, the shareholders of the Subsidiary agreed to increase the share capital by an amount of SR 310.1 million to revise the share capital to SR 1,547.6 million. The legal formalities for increase in share capital were completed during 2007.

The principal activities of the Company and its subsidiary ("the Group") are to invest in industrial projects in the petrochemical and chemical fields and to own and execute projects necessary to supply raw materials and utilities. The Group incurs costs on projects under development and subsequently establishes a separate company for each project that has its own commercial registration. Costs incurred by the Group will be transferred to separate companies when they are established.

In April 2006, the Company contributed SR 781.2 million as its 32.55% share in Tasnee and Sahara Olefins Company ("the Associate"), a closed Saudi Joint Stock Company, an associated company (note 4).

The Company's principal place of business is at Jubail Industrial City.

**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 and its Subsidiary:



**Principles of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary controlled by the Company prepared up to the end of year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. All significant inter-company transactions and balances have been eliminated in preparing the consolidated financial statements.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Revenue recognition**

Income from murabaha placements and deposits are recognized on an accrual basis.

**Expenses**

General and administrative expenses generally comprise of salaries and related expenses of staff involved in such activities, rent, subscription etc. Costs related to project under development are capitalized.

**Investment in associate**

An associate is an enterprise in which the Company is in a position to exercise significant influence, through participation in the financial and operating policy decisions of investee. The results and assets and liabilities of associate are incorporated in these financial statements using the equity method of accounting based on the latest available financial information. Where reliable financial data is not available, investment in associated company is recorded at cost and related income is recognized when dividends are received. The carrying amount of such investment is reduced to recognize any impairment in the value of the individual investment.

**Intangible assets**

Intangible assets mainly comprise a front end fee related to the loan from Saudi Industrial Development Fund ("SIDF") and debt acquisition and arrangement fees relating to the Islamic facilities.

These costs are being amortized over the period of the loans and the amortization is capitalized as part of projects under constructions up to the date of commencement of commercial production and subsequently charged to the statement of income.

**Cost of projects under development**

Cost of projects under development represents costs incurred for the study and development of industrial projects and are accounted for at cost. Upon successful development of the projects, costs associated with the project will be transferred to the respective company subsequently established for each project. Costs are written-off when projects are deemed not feasible.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2007

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

	<u>Years</u>
Vehicles	4
Computer, furniture, fixtures and office equipment	2-10

**Foreign currency translation**

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions, except changes in the fair value of derivative financial instruments that are designated as effective hedge for certain foreign currency risks, are included in the consolidated statement of operations.

**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.

**Zakat**

The Company and its subsidiary is subject to zakat and income tax in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). Zakat and income taxes are provided on an accrual basis. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared. The zakat charge in the consolidated financial statements represents the zakat for the Company and the Company's share of zakat in subsidiary and associated company. The income tax, assessable on the minority shareholders, is included in minority interest.

**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.

**Borrowing costs**

Borrowing costs directly attributable to the project under construction are added to the cost of that asset until such time as the asset is ready for its intended use. Investment income earned on temporary investment of specific borrowings pending their expenditure on the project under construction is deducted from the borrowing costs eligible for capitalization.

**Derivative financial instruments**

Derivative financial instruments are initially recorded at cost and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the consolidated statement of operations as they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2007

A fair value hedge is a hedge of the exposure to changes in fair value of an asset or liability that is already recognized in the balance sheet. The gain or loss from the change in the fair value of the hedging instrument is recognized immediately in the consolidated statement of operations. At the same time, the carrying amount of the hedged item is adjusted for the corresponding gain or loss since the inception of the hedge, which is also immediately recognized in the consolidated statement of operations.

A cash flow hedge is a hedge of the exposure to variability in cash flows relating to a recognized asset or liability, an unrecognized firm commitment or a forecasted transaction. To the extent that the hedge is effective, the portion of the gain or loss on the hedging instrument is recognized initially directly in equity. Subsequently, the amount is included in the consolidated statement of operations in the same period or periods during which the hedged item affects net profit or loss. For hedges of forecasted transactions, the gain or loss on the hedging instrument will adjust the recorded carrying amount of the acquired asset or liability.

### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances, demand deposits, and highly liquid investments with original maturity of three months or less. As at December 31, 2007, cash and cash equivalents consist entirely of cash and bank balances, including murabaha investment of an amount equivalent to SR 53.3 million (2006 – SR 458.8 million)

### 4. INVESTMENT IN ASSOCIATE

At December 31, 2007, investment in Associate represents 32.55% equity interest in Tasnee and Sahara Olefins Company, a Closed Saudi Joint Stock Company.

Summarized financial information of the Associate as of the balance sheet date is as follows:

	2007 SR 000	2006 SR 000
Working capital	817,274	320,644
Other assets – net of liabilities	2,187,343	2,096,307
Net assets (including minority interest of SR 667,028 thousand)	3,004,617	2,416,951
The Company's share of net assets	760,886	786,718
Net income before zakat	7,266	17,386
The Company's share of income before zakat	2,365	5,659

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2007

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**5. COST OF PROJECTS UNDER DEVELOPMENT**

Cost of projects under development mainly represent project relating to Chlor - Alakali and EDC.

	2007 SR 000	2006 SR 000
January 1	527	108,959
Incurred during the year	12,231	94,508
Transferred to construction work in progress	(1,532)	(202,940)
December 31	<u>11,226</u>	<u>527</u>

**6. PROJECT UNDER CONSTRUCTION**

Project under construction mainly represents the costs incurred by the Subsidiary for the construction of a Propane Dehydrogenation and Polypropylene Plant ("the Project") at Jubail Industrial City, Kingdom of Saudi Arabia. The cost of the project is currently estimated at approximately SR 3,838 million of which approximately 40% will be financed by equity and the remaining by debt finance from SIDF, Public Investment Fund ("PIF") and commercial borrowings.

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.

The Subsidiary's plant facilities are constructed on a plot of land allocated by the Royal Commission of Jubail and Yanbu to the Company and sub-leased to the Subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2007

7. PROPERTY AND EQUIPMENT

	Vehicles SR 000	Computers, furniture, fixtures & office equipment SR 000	Total SR 000
<b>Cost</b>			
January 1, 2007	70	676	746
Additions	916	380	1,296
Disposal		(13)	(13)
December 31, 2007	986	1,043	2,029
<b>Depreciation</b>			
January 1, 2007	13	245	258
Charge for year	122	183	305
Disposal	-	(1)	(1)
December 31, 2007	135	427	562
<b>Net book value</b>			
December 31, 2007	851	616	1,467
December 31, 2006	57	431	488

8. INTANGIBLE ASSETS

Intangible assets at the end of the year mainly represent the debt acquisition and arrangement costs.

	2007 SR 000	2006 SR 000
January 1	52,334	-
Additions	46,163	52,334
December 31	98,497	52,334

9. DUE TO BANKS

These represents the short term financing facilities received from two banks and are utilized to bridge finance the project costs incurred by the Subsidiary until disbursement of loan facility from SIDF (note 11). These facilities carry profit at commercial rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2007

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2007 SR 000	2006 SR 000
Accounts payable	77,015	83,239
Due to related parties	-	465
Accrued expenses	1,190	1,099
	<u>78,205</u>	<u>84,803</u>

11. LONG TERM LOAN

On June 18, 2007, the Subsidiary signed a term loan agreement of SR 400 million with SIDF. The loan is secured through mortgage of assets, assignment of insurance proceeds, technology rights and corporate guarantee of the shareholders to the extent of their ownership in the Subsidiary. The loan is payable over 13 semi-annual installments starting from July 17, 2011. The loan agreement includes covenants to maintain financial ratios during the loan period. At December 31, 2007, the Subsidiary has drawn down SR 200 million.

On October 31, 2007, the Subsidiary signed a term loan agreement of US\$ 250 million (SR 937.5 million) with PIF. This loan carries interest at LIBOR plus 0.5% and is repayable in twenty semi annual equal installments starting from May 2011. The loan is secured over the assets of the Subsidiary through an interparty deed to be executed with the commercial banks under IFA. No amount has been drawn from the facility at the year end.

12. ADVANCES AGAINST ISLAMIC FACILITIES

During 2006, the Subsidiary signed an Islamic Facilities Agreement ("IFA") for US\$ 276.3 million (SR 1,036.1 million) through which the commercial banks will participate in the procurement of the Project assets on the basis of co-ownership. On the completion of the Project, the co-owned assets will be leased to the Subsidiary at an annual rental calculated at London Inter Bank Offered Rate ("LIBOR") plus 1.95%. Under a separate Purchase Undertaking Agreement, the Subsidiary will purchase the above assets from the banks over a period of 11 years starting six months after the completion of the Project. As at December 28, 2007, the Subsidiary has drawn down US\$ 30 million from the total available facility.

The Subsidiary has entered into an interest rate swap contract with commercial banks to manage the exposure to volatility in interest rates for a notional amount of SR 993.54 million (Euro 179.30 million) with no upfront premium. The option fixed rate is 5.105% per annum and is exercisable effective from June 29, 2007 on a quarterly basis, up to December 30, 2016.

13. END-OF-SERVICE INDEMNITIES

	2007 SR 000	2006 SR 000
January 1	2,069	805
Provision for year	1,653	1,408
Utilization of provision	(34)	(144)
December 31	<u>3,688</u>	<u>2,069</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2007

14. ZAKAT AND INCOME TAX

The principal elements of the zakat base based on the Company's stand alone financials are as follows:

	2007 SR 000	2006 SR 000
Non-current assets	1,938,570	1,948,780
Non-current liabilities	2,823	1,545
Opening stockholders' equity	1,990,941	1,818,629
Net (loss) income before zakat	(11,545)	169,264

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

The movement in zakat and income tax provision is as follows:

	2007 SR 000	2006 SR 000
<b>Zakat</b>		
January 1	4,303	39,018
Provision for year	1,648	4,303
Under provision for previous years	2	20
Payment during year	(4,304)	(39,038)
December 31	1,649	4,303
	2007 SR 000	2006 SR 000
<b>Income tax</b>		
Provision for year	89	-
Payment during year	(115)	-
December 31	(26)	-

The zakat liability of the Company's investment in Associate being SR 0.12 million (2006 – SR 0.14 million) is excluded from the Company's zakat liability above but is included in the zakat charge for the year in the consolidated statement of operations and is reflected in the carrying value of the investment.

The charge for the year for zakat is as follows:

	2007 SR 000	2006 SR 000
Zakat for current year	1,648	4,303
Under provision for previous years	2	20
Share of zakat of associated company	123	141
Charge to consolidated statement of operations	1,773	4,464

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2007

**Outstanding assessments**

The DZIT has yet to issue the final assessment for the period ended December 31, 2005 and year ended December 31, 2006 as these are currently under study by the DZIT.

**15. RELATED PARTY TRANSACTIONS**

During the year, the Company transacted with the following related parties:

<u>Name</u>	<u>Relationship</u>
Zamil group of companies	Affiliate

The significant transactions and the related amounts are as follows:

	<u>2007</u>	<u>2006</u>
	<u>SR 000</u>	<u>SR 000</u>
Services received	1,157	1,011

The board of directors' fees and expenses for the year ended December 31, 2007 amounted to SR Nil (2006 - SR 0.01 million.)

Additionally, the Subsidiary has reimbursed the shareholders all costs and expenses incurred by them in developing this project up to the incorporation of the Subsidiary. The total amounted to SR 256.1 million.

**16. STATUTORY RESERVE**

In accordance with Regulations for Companies in Saudi Arabia and the articles of association of the Company, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

**17. OTHER RESERVE**

This represents the difference arising from translation of long term loans borrowed by the Associate denominated in Euros at the exchange rates prevailing at the balance sheet date, which have been designated as a hedge of expected future revenues denominated in the same currency.

**18. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>2007</u>	<u>2006</u>
	<u>SR 000</u>	<u>SR 000</u>
Salaries, wages and other benefits	7,985	11,281
Rent	893	672
Dues and subscription	663	489
Advertising and public relations	372	206
Others	2,468	994
	<u>12,381</u>	<u>13,642</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2007

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**19. OPERATING LEASE ARRANGEMENTS**

	2007	2006
	SR 000	SR 000
Payments under operating leases recognized as an expense during the year	<u>921</u>	<u>447</u>

Operating lease payments represent rentals payable by the Company and Subsidiary for certain office properties. Leases are negotiated for an average term of one year and rentals are fixed for an average of one year.

**20. CAPITAL COMMITMENTS**

As at December 31, 2007, the Group had outstanding capital commitments amounting to SR 1,033 million (2006 - SR 2,244.30 million).

**21. CONTINGENCIES AND COMMITMENTS**

	2007	2006
	SR 000	SR 000
Letters of credit	-	353,409
Forward foreign exchange contracts	<u>86,337</u>	<u>860,298</u>

**22. EARNINGS PER SHARE**

Earnings per share are computed by dividing net income for the year by the number of shares amounting to 187.5 million shares.

**23. FAIR VALUES**

The fair values of the Group's financial assets and liabilities approximate their carrying amounts.

**24. RECLASSIFICATION**

Comparative figures for 2006 have been reclassified to conform with presentation in current year.