

Deloitte

**ADVANCED POLYPROPYLENE COMPANY
(SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2008**

Advanced Consulting

**ADVANCED POLYPROPYLENE COMPANY
(SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2008**

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AUDITORS' REPORT

To the stockholders
Advanced Polypropylene Company
Dammam, Saudi Arabia.

Scope of Audit

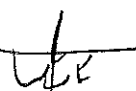
We have audited the balance sheet of Advanced Polypropylene Company ("a Saudi Joint Stock Company"), as of December 31, 2008 and the related statements of income/pre-operating activities, stockholders' equity and cash flows for the year then ended, and notes 1 to 18 which form an integral part of these 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.

Unqualified Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2008, and the results of its operating/pre-operating activities and its cash flows for the year then ended in conformity with generally accepted accounting standards appropriate to the nature of the Company, 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 financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.


Nasser M. Al-Sagga
License No. 322
15 Muharram, 1430
January 12, 2009



Audit . Tax . Consulting . Financial Advisory.

Member of
Deloitte Touche Tohmatsu

ADVANCED POLYPROPYLENE COMPANY
(SAUDI JOINT STOCK COMPANY)

BALANCE SHEET
AS OF DECEMBER 31, 2008

	Notes	2008 SR	2007 SR
ASSETS			
Current assets			
Cash and cash equivalents	3	216,367,369	88,745,591
Trade receivables		344,619,007	-
Other receivables, advances and prepayments	4	20,200,618	9,380,844
Inventories	5	194,652,235	3,312,109
Total current assets		775,839,229	101,438,544
Non-current assets			
Property, plants and equipment	7	2,642,972,438	45,889,026
Projects under construction	6	-	2,337,104,893
Intangible assets	8	88,180,936	60,762,697
Total non-current assets		2,731,153,374	2,443,756,616
TOTAL ASSETS		3,506,992,603	2,545,195,160
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable and other liabilities	10	171,679,218	56,663,536
Short term loan	9	187,500,000	-
Current portion of long term loan	9	125,000,000	-
Total current liabilities		484,179,218	56,663,536
Non-current liabilities			
Long term loans	9	1,400,000,000	1,070,000,000
End-of-service indemnities	11	5,367,516	2,090,142
Total non-current liabilities		1,405,367,516	1,072,090,142
Stockholders' equity			
Share capital	1	1,413,750,000	1,413,750,000
Statutory reserve	15	21,405,598	390,740
Retained earnings		182,290,271	2,300,742
Total stockholders' equity		1,617,445,869	1,416,441,482
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		3,506,992,603	2,545,195,160

The accompanying notes form an integral part of these financial statements

ADVANCED POLYPROPYLENE COMPANY
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME/PRE-OPERATING ACTIVITIES
YEAR ENDED DECEMBER 31, 2008

	Notes	2008 SR	2007 SR
Sales		1,459,175,680	-
Cost of sales		(1,179,654,669)	-
Gross profit		279,521,011	-
Selling and distribution expenses		16,536,490	-
General and administrative expenses	13	8,890,645	598,264
Operating income (loss)		254,093,876	(598,264)
Finance charges, net		(48,344,359)	-
Other income		4,399,061	2,761,640
NET INCOME		210,148,578	2,163,376
Earnings per share from net income (note 16)		1.49	0.015
Earnings per share from continuing main operations		1.46	-
Earnings per share from other operations		0.03	0.02
Weighted average number of shares		141,375,000	141,375,000

The accompanying notes form an integral part of these financial statements

ADVANCED POLYPROPYLENE COMPANY
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF STOCKHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2008

	Note	Share capital SR	Statutory reserve SR	Retained earnings SR	Total SR
January 1, 2007	1	1,413,750,000	174,402	1,476,452	1,415,400,854
Net income for the year		-	-	2,163,376	2,163,376
Transfer to statutory reserve	15	-	216,338	(216,338)	-
Zakat and income tax for the year	12	-	-	(1,122,748)	(1,122,748)
December 31, 2007		1,413,750,000	390,740	2,300,742	1,416,441,482
Net income for the year	1	-	-	210,148,578	210,148,578
Transfer to statutory reserve	15	-	21,014,858	(21,014,858)	-
Zakat and income tax for the year	12	-	-	(9,144,191)	(9,144,191)
December 31, 2008		<u>1,413,750,000</u>	<u>21,405,598</u>	<u>182,290,271</u>	<u>1,617,445,869</u>

The accompanying notes form an integral part of these financial statements

ADVANCED POLYPROPYLENE COMPANY
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2008

	2008 SR	2007 SR
OPERATING / PRE-OPERATING ACTIVITIES		
Net income	210,148,578	2,163,376
Adjustments for:		
Depreciation and amortization	111,559,330	-
End-of-service indemnities	2,634,203	-
Changes in:		
Trade, other receivables, advances and prepayments	(355,438,781)	(3,994,267)
Inventories	(191,340,126)	(3,312,109)
Accounts payable and other liabilities	110,257,701	(70,684,354)
Cash used in operating/pre-operating activities	(112,179,095)	(75,827,354)
End-of-service indemnities paid	(217,114)	(73,748)
Zakat and income tax paid	(1,066,917)	(21,299)
Net cash used in operating / pre-operating activities	(113,463,126)	(75,922,401)
INVESTING ACTIVITIES		
Additions to property, plants and equipment	(360,888,756)	(972,298,619)
Increase in intangible assets	(40,526,340)	(21,415,076)
Net cash used in investing activities	(401,415,096)	(993,713,695)
FINANCING ACTIVITIES		
Due to bank	-	(1,156,823)
Repayment of short term loan	-	(650,000,000)
Drawdown of short term loan	187,500,000	506,250,000
Drawdown of long term loans	455,000,000	942,000,000
Net cash from financing activities	642,500,000	797,093,177
Net change in cash and cash equivalents	127,621,778	(272,542,919)
Cash and cash equivalents, beginning of the year	88,745,591	361,288,510
CASH AND CASH EQUIVALENTS, DECEMBER 31	216,367,369	88,745,591

Non-cash transactions

Depreciation, net profit from pre-operating activities and end-of-service indemnities charged to projects under construction and intangible assets amounted to SR 1.6 million (2007: SR 0.3 million), SR 3.8 million (2007: SR nil) and SR 0.9 million (2007: SR 1.5 million) respectively.

The accompanying notes form an integral part of these financial statements

**ADVANCED POLYPROPYLENE COMPANY
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008**

1. ORGANIZATION AND ACTIVITIES

Advanced Polypropylene Company ("APPC") ("the Company") is a Saudi Joint Stock Company, registered in Saudi Arabia under commercial registration number 2050049604 dated 27 Sha'ban, 1426H (October 1, 2005). The share capital of the Company is SR 1,413,750,000 divided into 141,375,000 shares of SR 10 each. The Company's registered head office is at Dammam, Saudi Arabia.

The principal activity of the Company is to manufacture polypropylene. The Company's Propane Dehydrogenation ("PDH") and Polypropylene ("PP") plants achieved mechanical completion in February 2008. Commissioning and performance test runs began on February 20 and 29, 2008 for PDH and PP Plants respectively and these plants started commercially viable production from May 1, 2008 and the Company declared its commercial production in August 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Revenue recognition

All products are sold to the marketers. Upon delivery to the marketers, sales are recorded at provisional sales prices that are later adjusted based upon actual selling prices received by the marketers from third parties, after deducting the costs of shipping and marketing fees etc. Adjustments are made, as they become known to the Company.

Expenses

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

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

ADVANCED POLYPROPYLENE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2008

Inventories

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

Property, plants and equipment

Property, plants and equipment are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. The estimated useful lives of the assets are as follows:

	<u>Years</u>
Vehicles	4
Furniture, fixtures and office equipment	4-8
Machinery and equipment	10
Laboratory and safety equipment	5
Catofin catalysts	2-8
Buildings	33
Capital spare parts	20
Leasehold improvements	10
Plants	20

Capital spare parts

Capital spare parts that are considered essential to ensure continuous plants operation, are classified under property, plants and equipment, and are depreciated using the straight line method in accordance with applicable rates. Spare parts are capitalized if they are not readily available in the market or unavailable, and their manufacturing requires an extended time to complete.

Intangible assets

Intangible assets comprise of establishment costs, listing costs and expenses incurred prior to commencement of commercially viable production which is expected to provide benefits in future periods. These costs also include plants testing and commissioning costs net off any proceeds from sale of off-spec production during the testing phase. Such intangible assets will be amortized over a period not to exceed seven years beginning from May 1, 2008.

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its property, plants and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

**ADVANCED POLYPROPYLENE COMPANY
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2008**

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

No impairment loss has been recognized from inception till December 31, 2008.

Projects under construction

Projects under construction comprises 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. From May 1, 2008, this has been capitalized as part of property, plant and equipment, as the plants were ready for their intended use.

End-of-service indemnities

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

Foreign currency translation

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

Zakat and income tax

The Company is subject to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat and income tax are provided on an accrual basis and charged to retained earnings. The zakat charge is computed on the Saudi stockholders' share in the zakat base. Income tax is computed on the foreign stockholders' share in the adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

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 statement of income/pre-operating activities on a straight-line basis over the term of the operating lease.

Borrowing costs

Borrowing costs directly attributable to the projects 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.

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, 2008, cash and cash equivalents consist entirely of cash and bank balances, including Islamic investment of SR 196 million (2007: SR 74 million).

ADVANCED POLYPROPYLENE COMPANY
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2008

4. OTHER RECEIVABLES, ADVANCES AND PREPAYMENTS

	2008 SR	2007 SR
Advances to suppliers	14,464,504	-
Prepayments	3,440,149	2,844,480
Deposits	855,989	2,085,633
Due from a related party	-	3,521,138
Others	1,439,976	929,593
	<u>20,200,618</u>	<u>9,380,844</u>

5. INVENTORIES

	2008 SR	2007 SR
Finished goods	118,930,890	-
Semi finished goods	6,201,166	-
Spare parts	38,612,976	-
Catalyst	15,381,615	2,661,894
Others	15,525,588	650,215
	<u>194,652,235</u>	<u>3,312,109</u>

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

6. PROJECTS UNDER CONSTRUCTION

Projects under construction 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 movement in projects under construction is as follows:

	2008 SR	2007 SR
Opening balance	2,337,104,893	1,407,759,466
Incurred during the year	339,184,289	929,345,427
	<u>2,676,289,182</u>	<u>2,337,104,893</u>
Transfer to property, plants and equipment	<u>(2,676,289,182)</u>	-
December 31	<u>-</u>	<u>2,337,104,893</u>

Financial charges and loan fees capitalized during the year amounted to SR 20.3 million (2007: SR 63.0 million).

From May 1, 2008, the Company has started the commercial operations and the entire cost of the projects under construction has been transferred to property, plants and equipment.

ADVANCED POLYPROPYLENE COMPANY
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008

7. PROPERTY, PLANT AND EQUIPMENT

	Plants	Capital	Buildings	Machinery &	Furniture,	Catalyst	Laboratory	Vehicles	Leasehold	Total
	SR	SR	SR	equipment	fixtures &	SR	equipment	SR	SR	SR
		spare parts		SR	office	SR	SR	SR	SR	SR
				SR	equipment	SR	SR	SR	SR	SR
Cost										
January 1, 2008	-	-	730,000	2,300,897	2,306,529	39,774,531	120,580	1,029,912	232,492	46,494,941
Transfer from projects under construction	2,595,549,502	32,443,582	48,296,098	-	-	-	-	-	-	2,676,289,182
Additions	-	-	-	5,160,824	3,799,168	-	13,983,226	1,773,800	-	24,717,018
December 31, 2008	2,595,549,502	32,443,582	49,026,098	7,461,721	6,105,697	39,774,531	14,103,806	2,803,712	232,492	2,747,501,141
Depreciation										
January 1, 2008	-	-	-	18,891	323,131	-	4,035	236,609	23,249	605,915
Charge for year	86,518,316	1,081,452	1,184,449	623,051	437,080	11,885,933	1,780,008	391,509	20,990	103,922,788
December 31, 2008	86,518,316	1,081,452	1,184,449	641,942	760,211	11,885,933	1,784,043	628,118	44,239	104,528,703
Net book value										
December 31, 2008	2,509,031,186	31,362,130	47,841,649	6,819,779	5,345,486	27,888,598	12,319,763	2,175,594	188,253	2,642,972,438
December 31, 2007	-	-	730,000	2,282,006	1,983,398	39,774,531	116,545	793,303	209,243	45,889,026

The Company has leased land for plants and buildings from the Royal Commission for Jubail and Yanbu at a nominal rent. The lease is for a term of 30 years, effective 9 Jumada'1 1426H (June 16, 2005) and is renewable for a similar period under mutually agreed terms and conditions.

ADVANCED POLYPROPYLENE COMPANY
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2008

8. INTANGIBLE ASSETS

	2008 SR	2007 SR
January 1, 2008	60,762,697	39,347,621
Additions	36,700,443	21,415,076
December 31, 2008	97,463,140	60,762,697
Amortization		
Charge for the year	9,282,204	-
Net book value		
December 31, 2008	88,180,936	60,762,697

9. BANK FACILITIES

<u>Short term loans</u>	2008 SR	2007 SR
Short term loan	187,500,000	-

The Company has obtained a short term working capital facility-Tawarq from a local bank of US\$ 50 million (SR 187.5 million) which carries interest at LIBOR plus a margin and is renewable annually.

<u>Long term loans</u>	2008 SR	2007 SR
Saudi Industrial Development Fund ("SIDF") loan	400,000,000	320,000,000
GIB Murabaha	1,125,000,000	750,000,000
Less: current portion	125,000,000	-
	1,000,000,000	750,000,000
December 31	1,400,000,000	1,070,000,000

The Saudi Industrial Development Fund granted a loan to the Company for SR 400 million. The first drawdown of SR 128 million was on December 24, 2006, the second drawdown totaling to SR 72 million was on January 10, 2007, the third drawdown was made on August 27, 2007 for the amount of SR 120 million and the final drawdown was made on July 14, 2008 for the amount of SR 80 million. This loan is secured by personal and corporate guarantees of some key shareholders and a mortgage on all present and future assets of the Company. The loan is payable in 13 unequal semi annual installments commencing 15 Sha'aban, 1431H (July 27, 2010). The loan agreement includes covenants to maintain financial ratios and restriction on capital expenditure during the loan period. SIDF has charged a front-end fee of SR 28 million.

ADVANCED POLYPROPYLENE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2008

During 2007, the Company entered into a commercial facilities agreement (CFA) wherein the investments agent (Gulf International Bank) agree to make to the purchaser (APPC) the facilities to finance the purchase of commodities from the nominated suppliers. On May 22, 2007, the agreement was transferred into a Murabaha agreement in order to be a Shar'iah compliant facility. The total Murabaha agreement is US\$ 330 million (SR 1,238 million) comprising of a total facility of US\$ 300 million (SR 1,125 million) and the total standby facility of US\$ 30 million. The facility will be repaid in 18 successive equal semi annual installments where the first repayment date is the date falling 6 months after the project completion date or the date falling 18 months after the scheduled project completion date.

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2008 SR	2007 SR
Accounts payable	45,076,367	38,488,513
Due to a related party	156,384	156,384
Retention payables	243,608	1,403,297
Advances from customers	9,236,909	-
Accrued expenses	107,734,981	15,388,024
Withholding taxes payable	-	73,623
Provision for zakat and income tax (note 12)	9,230,969	1,153,695
	<u>171,679,218</u>	<u>56,663,536</u>

11. END OF SERVICE INDEMNITIES

	2008 SR	2007 SR
Opening balance	2,090,142	,590,914
Provision for the year	3,494,488	1,572,976
Utilization of provision	(217,114)	(73,748)
December 31	<u>5,367,516</u>	<u>2,090,142</u>

12. ZAKAT AND INCOME TAX

The principal elements of the zakat base are as follows:

	2008 SR	2007 SR
Non-current assets	2,731,153,374	2,443,756,616
Non current liabilities	1,405,367,516	1,072,090,142
Share capital	1,413,750,000	1,413,750,000
Net income	210,148,578	2,163,376

ADVANCED POLYPROPYLENE COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2008

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

	2008 SR	2007 SR
Zakat		
Opening balance	1,127,302	40,941
Provision for the year	9,230,969	1,127,302
Over provision for prior years	(86,778)	(19,642)
Paid during the year	(1,040,524)	(21,299)
December 31	<u>9,230,969</u>	<u>1,127,302</u>
	2008 SR	2007 SR
Income tax		
Opening balance	26,393	11,305
Provision for the year	-	26,393
Over provision for prior years	-	(11,305)
Paid during the year	(26,393)	-
December 31	<u>-</u>	<u>26,393</u>

The charge for the year for zakat and income tax is as follows:

	2008 SR	2007 SR
Zakat for the current year	9,230,969	1,127,302
Over provision for zakat in prior years	(86,778)	(30,947)
Income tax for the current year	-	26,393
Charged to retained earnings	<u>9,144,191</u>	<u>1,122,748</u>

No provision for income tax has been made as there is no taxable profit for the year ended December 31, 2008.

Outstanding assessments

The Company has submitted its zakat and income tax returns up to the year ended December 31, 2007, settled taxes as per the return and obtained the required certificates and official receipts.

13. GENERAL AND ADMINISTRATIVE EXPENSES

	2008 SR	2007 SR
Salaries and related benefits	7,342,897	-
Rent expenses	124,291	166,355
Professional charges	1,278,897	402,825
Others	144,560	29,084
	<u>8,890,645</u>	<u>598,264</u>

ADVANCED POLYPROPYLENE COMPANY
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2008

14. OPERATING LEASE CONTRACT

The Company has leased land from the Royal Commission for Jubail and Yanbu, for building the plant and other facilities at an annual rent of SR 0.6 million. This lease expires in the 1456H, with an option for renewal.

Commitments for minimum lease payments under non-cancelable operating leases are as follows:

	2008 SR	2007 SR
Not later than one year	650,335	650,335
Year two	650,335	650,335
Year three	650,335	650,335
Year four	650,335	650,335
Year five	650,335	650,335
Later than five years	14,957,695	15,608,030
Net minimum lease payments	<u>18,209,370</u>	<u>18,859,705</u>

15. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia, 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.

16. EARNINGS PER SHARE

Earnings per share are computed by dividing net income for the year by the weighted average number of shares outstanding during the year ended December 31, 2008 amounting to 141.4 million shares (2007: 141.4 million shares).

Earnings per share from the continuing main operations are computed by dividing the operating income for the year by the weighted average number of shares outstanding.

Earning per share from other operations is computed by dividing the other income for the year by the weighted average number of shares outstanding.

17. COMMITMENTS AND CONTINGENCIES

	2008 SR	2007 SR
Capital Commitments	<u>18,000,000</u>	<u>524,000,000</u>
Contingencies		
Letters of guarantee (in favor of Saudi Aramco for the propane and gas sales supply agreements)	<u>378,417,188</u>	-

18. FAIR VALUES

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