THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES

Consolidated Financial Statements for the Years Ended December 31, 2007 and 2006 and Independent Auditors' Report

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEETS, DECEMBER 31, 2007 AND 2006
(Expressed in thousands of Saudi riyals)

ASSETS	**NOTES**	**2007**	**2006**
CURRENT ASSETS:			
Cash and cash equivalents	3	SR 201,595	SR 70,549
Accounts receivable - net	4,10	1,543,296	1,380,037
Inventories - net	5	838,910	669,486
Prepayments and other		63,973	107,707
Non-current assets held-for-sale	6	52,500	-
Total current assets		2,700,274	2,227,779
NON-CURRENT ASSETS:			
Investments in associates and joint ventures	7	313,000	259,173
Property, plant and equipment - net	8,12	923,371	1,019,437
Intangible assets - net	9	60,106	73,827
Deferred income tax assets	18	26,625	40,645
Other non-current assets		37,080	40,415
Total non-current assets		1,360,182	1,433,497
TOTAL		SR 4,060,456	SR 3,661,276
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings	5,10	SR 1,303,453	SR 1,022,514
Current maturity of liabilities against assets under capital leases	11	10,312	14,063
Current maturity of long-term borrowings	12	69,121	55,903
Accounts payable, accruals and other	13	845,643	861,027
Total current liabilities		2,228,529	1,953,507
NON-CURRENT LIABILITIES:			
Liabilities against assets under capital leases	11	-	10,312
Long-term borrowings	12	143,808	176,498
Employee termination benefits	14	93,197	80,764
Other non-current liabilities		36,552	44,229
Total non-current liabilities		273,557	311,803
Total liabilities		2,502,086	2,265,310
CONTINGENCIES	25		
EQUITY:			
Equity attributable to SAAC's shareholders:			
Share capital	16	1,155,000	1,155,000
Statutory reserve	17	73,263	70,865
Retained earnings (accumulated deficit)		21,578	(40,126)
Equity adjustments from foreign currency translations		70,325	9,764
Total shareholders' equity		1,320,166	1,195,503
Minority interest		238,204	200,463
Total equity		1,558,370	1,395,966
TOTAL		SR 4,060,456	SR 3,661,276

The accompanying notes from No.1 to No. 27 form an integral part of the consolidated financial statements.

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Expressed in thousands of Saudi riyals, except for earnings per share)

	NOTES	2007	2006
SALES - Net		SR 3,101,752	SR 2,659,834
COST OF SALES	15	(2,416,917)	(2,177,329)
GROSS PROFIT		684,835	482,505
OPERATING EXPENSES:			
Selling and marketing	20	(124,850)	(110,255)
General and administrative	15,21	(243,898)	(225,509)
INCOME FROM OPERATIONS		316,087	146,741
OTHER INCOME (EXPENSES):			
Financial charges - net	10,11,12	(120,625)	(119,517)
Share of net income from associates and joint ventures	7	51,981	43,046
Other - net	22	(71,222)	8,943
INCOME BEFORE FOREIGN INCOME TAXES, MINORITY INTEREST AND ZAKAT		176,221	79,213
INCOME TAXES RELATED TO FOREIGN SUBSIDIARIES - Net	18	(43,563)	(19,454)
MINORITY INTEREST IN INCOME OF CONSOLIDATED SUBSIDIARIES		(50,556)	(27,163)
INCOME BEFORE ZAKAT		82,102	32,596
ZAKAT	19	(18,000)	(11,776)
NET INCOME		SR 64,102	SR 20,820
EARNINGS PER SHARE	24	SR 0.55	SR 0.18

The accompanying notes from No. 1 to No. 27 form an integral part of the consolidated financial statements.

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Expressed in thousands of Saudi riyals)

	NOTES	2007	2006
SHARE CAPITAL -			
Balance, December 31	16	SR 1,155,000	SR 1,155,000
STATUTORY RESERVE:			
Balance, January 1		70,865	70,865
Transfer from retained earnings	17	2,398	-
Balance, December 31		73,263	70,865
RETAINED EARNINGS (ACCUMULATED DEFICIT):			
Balance, January 1		(40,126)	(60,946)
Net income		64,102	20,820
Transfer to statutory reserve	17	(2,398)	-
Balance, December 31		21,578	(40,126)
EQUITY ADJUSTMENTS FROM FOREIGN CURRENCY TRANSLATIONS:			
Balance, January 1		9,764	(3,827)
Adjustments for the year - net		60,561	13,591
Balance, December 31		70,325	9,764
TOTAL SHAREHOLDERS' EQUITY, DECEMBER 31		SR 1,320,166	SR 1,195,503

The accompanying notes from No. 1 to No. 27 form an integral part of the consolidated financial statements.

THE SAUDI ARABIAN AMIANTIT COMPANY AND SUBSIDIARIES
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Expressed in thousands of Saudi riyals)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	SR 64,102	SR 20,820
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation, amortization and provisions	182,318	149,963
Gain on sale of investments	(12,480)	(3,954)
Share in net income from associates and joint ventures	(51,981)	(43,046)
Dividends received from associates	12,973	3,180
Income applicable to minority interest	50,556	27,163
Deferred income tax charges - net	10,280	11,562
Changes in:		
Accounts receivable	(217,399)	(102,796)
Inventories	(206,592)	(19,955)
Prepayments and other current assets	40,337	(22,724)
Accounts payable, accruals and other current liabilities	24,183	42,386
Employee termination benefits	12,433	10,574
Net cash (used in) provided by operating activities	(91,270)	73,173
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment - net	(72,752)	(114,263)
Investments in associates and joint ventures	(649)	(30,750)
Proceeds from sale of investments, net of cash of deconsolidated subsidiaries	25,276	70,039
Increase in intangible assets	(1,928)	(1,853)
Change in other non-current assets	4,837	(1,283)
Net cash used in investing activities	(45,216)	(78,110)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in short-term borrowings	281,313	15,491
Increase in long-term borrowings	65,776	17,213
Repayments of long-term borrowings	(44,837)	(59,565)
Repayment of liabilities against assets under capital leases	(14,063)	(14,063)
Change in other non-current liabilities	(2,795)	11,148
Dividends paid by subsidiaries to minority interest	(9,503)	-
Zakat payments	(12,110)	(7,234)
Other	3,751	3,291
Net cash provided by (used in) financing activities	267,532	(33,719)
NET CHANGE IN CASH AND CASH EQUIVALENTS	131,046	(38,656)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	70,549	109,205
CASH AND CASH EQUIVALENTS, END OF YEAR	SR 201,595	SR 70,549

The accompanying notes from No. 1 to No. 27 form an integral part of the consolidated financial statements.

1. NATURE AND PURPOSE OF THE GROUP

The Saudi Arabian Amiantit Company ("SAAC") and Subsidiaries (collectively the "Group") consists of SAAC, a Saudi Arabian joint stock company, registered in the Kingdom of Saudi Arabia and operating under Commercial Registration No. 2050002103 issued in Dammam on 17 Rabi'I 1388 AH (June 13, 1968), and various Saudi Arabian and foreign companies effectively owned by SAAC.

The Group's subsidiaries operate under individual commercial registrations and are principally involved in manufacturing and selling various types of pipes and related products, licensing of related technologies and supply of pipe manufacturing machines, and water management services including related consultancy, engineering and operations.

Following is the list of principal subsidiaries included in the Group:

Subsidiary	Country of incorporation	Effective ownership at December 31,	
		2007	2006
Amiantit Fiberglass Industries Ltd. (AFIL)	Saudi Arabia	100%	100%
Amiantit Rubber Industries Ltd. (ARIL)	Saudi Arabia	80%	80%
Saudi Arabian Ductile Iron Pipe Co. Ltd. (SADIP)	Saudi Arabia	75%	75%
Ameron Saudi Arabia Ltd. (ASAL)	Saudi Arabia	69.7%	69.7%
Bondstrand Ltd. (BSL)	Saudi Arabia	60%	60%
Saudi Arabia Concrete Products Ltd. (SACOP)	Saudi Arabia	58.8%	58.8%
Fiberglass Pipes Company Ltd. (FPC)	Saudi Arabia	51%	51%
International Infrastructure Management and Operations Company Limited (AMIWATER)	Saudi Arabia	100%	100%
Alalamiah Water Works and Services Company Ltd. (AWWS)	Saudi Arabia	75%	75%
Composite Pipes Industries LLC	Oman	51%	51%
Amiantit International Holding Company WLL	Bahrain	100%	100%
Amiantit Technology Company WLL	Bahrain	100%	100%
Cabletech International Limited WLL	Bahrain	100%	100%
Ductile Technology Ltd. WLL	Bahrain	100%	100%
Amipox International Company WLL	Bahrain	100%	100%
TBW International Company Limited WLL	Bahrain	50%	50%
Amiantit Meyer Polycrete Limited WLL	Bahrain	50%	50%
Flowtite Technology Bahrain WLL	Bahrain	100%	100%
Amitech Germany GmbH	Germany	100%	100%
Amiantit Services GmbH	Germany	100%	100%
Jos Hansen & Soehne GmbH	Germany	57.46%	57.46%
JR International GmbH	Germany	57.46%	57.46%

(Continued)

Subsidiary	Country of incorporation	Effective ownership at December 31,	
(Continued)			
		2007	2006
Aquamundo GmbH	Germany	80%	80%
PWT Wasser- und Abwassertechnik GmbH (PWT)	Germany	80%	80%
Amiantit Technology Services GmbH	Austria	100%	100%
Inframan Infrastructure Management Ltd.	Austria	80%	80%
Flowtite A.S.	Norway	100%	100%
Flowtite Technology A.S.	Norway	100%	100%
Flowtite Botswana Ltd.	South Africa	100%	100%
Amitech Pipe Systems Africa (Proprietory) Ltd.	South Africa	100%	100%
Subor Boru San. Tic A.S.	Turkey	50%	50%
Amitech USA Ltd.	USA	100%	100%
Amitech Poland Sp.z o.o.	Poland	93.8%	93.8%
Amitech Spain S.A.	Spain	100%	100%
Amiantit Fiberglass Industries (India) Pvt. Ltd.	India	70%	70%
Operation Management Co. Ltd.	Thailand	70%	70%
Amitech Karasai Pipe LLC	Kazakhstan	51%	51%
APS Norway A.S.	Norway	100%	100%
APS Austria Rohrsystem GmbH	Austria	100%	100%
Amitech Industrial Spain S.A.	Spain	100%	100%
APS France S.A.S.	France	100%	100%
Amiantit Greek Power S.A.	Greece	-	100%
Latin American entities:			
- Amitech Argentina S.A.	Argentina	30%	100%
- Amitech Brazil Tubos S.A.	Brazil	25.6%	95.6%
- APS Mexico S.A.	Mexico	30%	100%
- APS Uruguay S.A.	Uruguay	30%	100%
- APS Chile S.A.	Chile	30%	100%

The ownership interests in subsidiaries are generally registered in the name of SAAC or in the name of certain intermediate holding companies within the Group. Ownership interests in certain subsidiaries are registered in the name of trustees, who hold the interests on behalf of SAAC or an intermediate holding company. Such interests are included in the above effective ownership percentage. The Group also has several other subsidiaries registered outside Saudi Arabia which are not included in the above list. Such subsidiaries are principally intermediate holding companies, and have been consolidated in the accompanying consolidated financial statements.

During 2007, the Group sold 70% of its equity interests in Latin American entities for a consideration of SR 35.3 million. Consequently, the Group has deconsolidated these subsidiaries in the accompanying consolidated financial statements from August 31, 2007. The remaining equity interests in these entities is accounted for under the equity method by the Group and has been included under "Investments in associates and joint ventures - net" in the accompanying consolidated balance sheet at December 31, 2007. Approximately SR 23.4 million of net assets for such entities were included in the accompanying 2006 consolidated balance sheet. Also see Note 22.

Also, during 2007, the Group entered into an agreement with a third party for sale of all of Amitech USA Ltd.'s property, plant and equipment, intangible assets and certain inventories at a sales price of SR 52.5 million. The transaction was effective from January 31, 2008 and has been completed subsequently and the Group has received the sale price in 2008. During 2007, the Group has recorded provisions for impairment and net realizable value of approximately SR 59.7 million and SR 2.5 million against property, plant and equipment and inventories, respectively, to record the related assets at their recoverable amount at December 31, 2007. The Group intends to liquidate Amitech USA Ltd. in 2008 and does not expect any significant gain or loss to result upon liquidation. Also see Notes 6 and 22.

Also, during 2007, the Group sold 100% of its equity interests in Amitech Greek Power S.A. ("GPSA") for a consideration of SR 8.0 million. Consequently, the Group has deconsolidated GPSA in the accompanying consolidated financial statements with effect from June 2007. Approximately SR 1.7 million of net assets for GPSA were included in the accompanying 2006 balance sheet. Also see Note 22.

The accompanying 2007 consolidated financial statements include accounts of the Latin American entities and GPSA upto the date of deconsolidation. Also the accompanying 2007 consolidated statement of cash flows includes the cash flows of such subsidiaries for the period upto the date of deconsolidation.

AWWS was formed during 2006 as a limited liability company in the Kingdom of Saudi Arabia to offer water production and water management services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting and in compliance with the standards promulgated by the Saudi Organization for Certified Public Accountants ("SOCPA"). Significant accounting policies are summarized as follows:

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. Significant estimates used are mentioned in the respective policy notes.

Group accounting - The accompanying consolidated financial statements include the accounts of SAAC and its subsidiaries in which the Group has effective ownership interest of 50% or more and controls more than one half of the voting rights or otherwise has the power to govern the financial and operating policies. Significant inter-group transactions and balances between group companies are eliminated in consolidation.

Subsidiaries are consolidated from the date on which control is effectively transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus the purchase price and the costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill.

Investments in associates and joint ventures are accounted for under the equity method of accounting. These are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill (net of accumulated amortization) on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate or joint venture, the Group does not recognize further losses, unless the Group has guaranteed obligations or is committed to provide additional financial assistance to the associates or joint ventures.

Segment reporting - A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in producing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Cash and cash equivalents - Cash and cash equivalents comprise cash in hand and with banks and other short-term highly liquid investments, if any, with original maturities of three months or less.

Accounts receivable - Accounts receivable are carried at original invoice amount less provision for doubtful accounts. A provision for doubtful trade accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Inventories - Inventories are principally stated at the lower of weighted average cost or net realizable value. Cost of finished products includes raw materials, labor and other manufacturing overheads.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Non-current assets held for sale - Non-current assets held for sale are classified as assets held for sale and are stated at the lower of carrying amount and fair values less cost to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

Property, plant and equipment - Property, plant and equipment is stated at cost less accumulated depreciation except construction in progress which is stated at cost. Land is not depreciated. Depreciation is charged to income, using the straight-line method to allocate the costs of the related assets to their residual values over the following estimated useful lives:

	Years
Buildings and improvements	3 - 35
Machinery and equipment	4 - 20
Furniture and fixtures	3 - 8

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in income currently.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to income as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

Deferred charges and preoperating costs - Costs that are not of benefit beyond the current period are expensed while costs that will benefit future periods are capitalized. Deferred charges principally comprising of certain indirect construction costs and preoperating costs, which are included in intangible assets in the consolidated balance sheets, are amortized over periods which do not exceed seven years.

Goodwill - Goodwill represents the excess of the cost of acquisition over the Group's share in the fair value of the net assets of acquired subsidiaries, associates and joint ventures at the date of acquisition. Goodwill arising from acquisition of subsidiaries is reported in consolidated balance sheets as an intangible asset. Goodwill arising from acquisition of associates is included in "Investment in associates and joint ventures" and is tested for impairment as a part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost net of accumulated amortization. Until December 31, 2005 goodwill was amortized and carried at net book value less impairment provisions, if any.

Patents, trademarks and licenses - Expenditure to acquire patents, trademarks and licenses is capitalized and amortized using the straight-line method over their useful lives, but not exceeding twenty years.

Impairment of non-current assets - Property, plant and equipment and other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

Borrowings - Borrowings are recognized initially at the proceeds received, net of transaction costs incurred, if any. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to income currently.

Capital leases - The Group accounts for property, plant and equipment acquired under capital leases by recording the assets and the related liabilities. These amounts are determined on the basis of the present value of minimum lease payments. Financial charges are allocated to the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation on assets under capital leases is charged to income applying the straight-line method at the rates applicable to the related assets which are summarized above under the policy note on property, plant and equipment.

Accounts payable and accruals - Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Group.

Zakat and income taxes - SAAC is subject to zakat in accordance with the regulations of the Department of Zakat and Income Taxes ("DZIT"). Foreign shareholders in the consolidated Saudi Arabian subsidiaries are subject to income taxes. Income tax provisions related to the foreign shareholders in such subsidiaries are charged to the minority interest in the accompanying consolidated financial statements. Provision for zakat for SAAC and zakat related to SAAC's ownership in the Saudi Arabian subsidiaries is charged to the consolidated statement of income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined by, and agreed with, the DZIT.

SAAC and its Saudi Arabian subsidiaries withhold taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Certain foreign subsidiaries are subject to income taxes in their respective countries of domicile. Such income taxes are charged to income currently.

Deferred income tax assets are recognized by certain foreign subsidiaries on carry-forward tax losses and all major temporary differences between financial income and taxable income to the extent that it is probable that future taxable profit will be available against which such carry-forward tax losses and the temporary differences can be utilized. Deferred income tax liabilities are recognized, if any, by foreign subsidiaries on significant temporary differences expected to result in an income tax liability in future periods. Deferred income taxes are determined using tax rates which have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Also see Note 18.

Employee termination benefits - Employee termination and other benefits required by Saudi Labor and Workman Law are accrued by the Saudi Arabian subsidiaries and charged to income currently. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salary and allowances and their cumulative years of service, as defined by the conditions stated in the laws of Saudi Arabia.

The foreign subsidiaries provide currently for employee termination and other benefits as required under the laws of their respective countries of domicile. There are no funded or unfunded pension plans established by the foreign subsidiaries except for APS Norway A.S. which fund a defined benefit plan, through an outside insurance company and Jos Hansen & Soehne GmbH which funds a defined benefit pension plan.

Revenues - Revenues are recognized upon delivery of products and customer acceptance, if any, or on the performance of services. Revenues are shown net of discounts and transportation expenses, and after eliminating sales within the Group. Revenues on long-term contracts are recognized on the percentage of completion basis. Percentage of completion is determined by comparison of contract costs incurred to date with estimated total costs. Changes in cost estimates and provisions for estimated losses on uncompleted contracts, if any, are recognized in the period they are determined. Costs and estimated earnings in excess of progress billings, if any, are included in current assets. Billings in excess of costs and estimated earnings, if any, are included in current liabilities.

Selling, marketing, general and administrative expenses - Selling, marketing, general and administrative expenses include direct and indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between selling, marketing, general and administrative expenses and production and contract costs, when required, are made on a consistent basis.

Foreign currency translation - The consolidated financial statements are presented in Saudi Riyals, which is the reporting currency of SAAC. 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 on the balance sheet date. Exchange gains or losses are credited or charged to income currently.

The results and financial position of the foreign subsidiaries, associates and joint ventures having functional currencies other than Saudi riyals, are translated into Saudi riyals as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
(ii) income and expenses for each income statement are translated at average exchange rates;
(iii) components of the equity accounts are translated at the exchange rates in effect at the dates of the related items originated; and
(iv) all resulting exchange differences are recognized as a separate component of equity.

Dividends received from associates are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the statement of income.

Cumulative adjustments at December 31, 2007 and 2006 resulting from the translation of the financial statements of the foreign subsidiaries, associates and joint ventures into Saudi riyals are reported as a separate component of shareholders' equity in the accompanying consolidated financial statements. When investment in a foreign subsidiary, associate and joint venture is partially disposed of or sold, currency translation differences that were recorded in equity are recognized in income as part of gain or loss on disposal or sale.

Dividends - Dividends are recorded in the financial statements in the year in which they are approved by the shareholders.

Operating leases - Rental expenses under operating leases are charged to income over the period of the respective lease. Rental income under operating leases is credited to income over the period of the respective lease.

Reclassification - Certain amounts in the comparative consolidated financial statements for 2006 have been reclassified to conform with 2007 presentation.

Supplemental cash flow information - Supplemental cash flow information for the years ended December 31, were as follows (SR 000's):

	2007	2006
Non-cash investing activity -		
Sale of investment in a subsidiary recorded through accounts receivable - other (Note 4)	SR 2,501	SR -

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, were as follows (SR 000's):

	2007	2006
Cash in hand	SR 9,919	SR 11,385
Cash at bank	191,676	59,164
Total	SR 201,595	SR 70,549

4. ACCOUNTS RECEIVABLE

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Accounts receivable at December 31, were as follows (SR 000's):

		2007		2006
Trade	SR	1,402,062	SR	1,252,105
Affiliates (Note 15)		57,504		63,115
Other		133,389		101,009
Total		1,592,955		1,416,229
Less provision for doubtful accounts		(49,659)		(36,192)
Accounts receivable - net	SR	1,543,296	SR	1,380,037

Approximately 18% of trade accounts receivable as at December 31, 2007 (2006 - 32%) (which represent approximately 26% and 45% of total domestic trade accounts receivable for 2007 and 2006, respectively) were related to Saudi Arabian government projects.

5. INVENTORIES

Inventories at December 31, were as follows (SR 000's):

		2007		2006
Finished products - mainly pipes and related products	SR	335,286	SR	285,501
Work in process - machines and water management projects		105,628		73,380
Raw materials		296,690		249,704
Spare parts and supplies		62,981		56,262
Goods in transit		49,703		12,595
Total		850,288		677,442
Less provision for inventory obsolescence		(11,378)		(7,956)
Inventories - net	SR	838,910	SR	669,486

Spare parts amounting to approximately SR 0.7 million were written-off during 2007.

Inventories amounting to SR 51.5 million at December 31, 2007 (2006 - SR 19.6 million) were pledged as security against bank borrowings.

6. NON-CURRENT ASSETS HELD-FOR-SALE

As described in Note 1, the Group entered into an agreement with a third party for sale of property, plant and equipment, intangible assets and inventories of Amitech USA Ltd. during 2007. Consequent to the agreement, such assets have been classified as held for sale. Following are the details of assets which were held for sale at December 31, 2007 (SR 000's):

Property, plant and equipment, net of accumulated depreciation and impairment provisions of SR 72.8 million	SR	40,537
Inventories, net of provisions for net realizable value of SR 2.5 million		11,250
Intangible assets, net of accumulated amortization of SR 0.9 million		713
Total	SR	52,500

7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures at December 31, accounted for under the equity method, were as follows (SR 000's):

		2007		2006
Amiantit Fiberglass Egypt Co. (AFEC)	SR	35,504	SR	33,169
Chongqing Polycom Int'l Corporation (CPIC)		141,484		111,911
Dubai Pipe Factory Company LLC (DPF)		18,497		11,983
Ameron Egypt (AE)		37,818		30,752
Amitech Maroc (AM)		19,518		15,467
Amitech Algier S.P.A. (AA)		3,843		4,665
Amiantit Qatar Pipe Co. Ltd. (AQAP)		15,333		15,426
International Water Distribution Company (TAWZEA)		4,598		5,000
Other - net		36,405		30,800
Total	SR	313,000	SR	259,173

Subsequent to 2007, the Group has signed a non-binding letter of intent with a third party to sell Group's equity interest in CPIC.

Summarized financial information related to the principal associates and joint ventures as at December 31, 2007 and 2006 and for the years then ended was as follows (SR 000's):

Name	Country of incorporation	Assets	Liabilities	Revenues	Net income (loss)	Effective ownership
2007						
AFEC	Egypt	SR 178,699	SR 115,582	SR 91,967	SR 17,802	50%
CPIC	China	2,698,770	1,411,381	974,005	199,690	10.99%
DPF	United Arab Emirates	114,917	32,708	123,381	34,462	22.5%
AE	Egypt	67,951	37,590	87,571	13,796	49%
AM	Morocco	140,197	101,160	41,719	5,154	50%
AQAP	Qatar	55,559	17,227	-	(233)	40%
AA	Algeria	87,212	79,527	15,213	(2,101)	50%
TAWZEA	Saudi Arabia	9,773	577	-	(804)	50%
2006						
AFEC	Egypt	SR 112,727	SR 53,537	SR 67,089	SR 6,414	50%
CPIC	China	1,659,120	808,085	576,483	118,450	13.15%
DPF	United Arab Emirates	80,441	27,183	43,641	7,284	22.5%
AE	Egypt	35,738	18,630	26,920	7,488	49%
AM	Morocco	36,755	5,802	15,207	(1,545)	50%
AA	Algeria	72,935	63,025	-	(1,343)	50%
TAWZEA	Saudi Arabia	10,175	175	-	-	50%

AFIL has a 50% (2006 - 50%) ownership interest in AFEC which is registered in Egypt as a closed joint stock company and manufactures fiberglass pipes.

During 2007, AFIL received dividends of approximately SR 6.7 million from AFEC and accordingly, related foreign currency translation differences of approximately SR 1.2 million were recognized in statement of income and are included in "Share in net income from associates and joint ventures".

ASAL has 49% (2006 - 49%) ownership interest in AE which is registered in Egypt as a closed joint stock company to manufacture concrete cylinder pipes.

AQAP was formed during 2006 as a limited liability company in Qatar to manufacture fiberglass pipe and related products. SAAC has 40% ownership interest in AQAP.

TAWZEA was formed during 2006 as a limited liability company in the Kingdom of Saudi Arabia to offer water management services and consultancy. AMIWATER has 50% ownership interest in TAWZEA.

Investments in other associates and joint ventures in which the Group's effective ownership interest is generally less than 50% at December 31, were as follows (SR 000's):

		2007		2006
Tianli Amiantit Chongqing (China)	SR	3,057	SR	5,870
Sarin S.A. (Luxembourg)		9,975		7,428
Various Hydro-power joint ventures (Greece)		-		5,393
Latin American entities (Note 1)		5,216		-
Other - net		18,157		12,109
Total	SR	36,405	SR	30,800

BSL has a 45% (2006 - 45%) ownership in Bondstrand Kuwait Limited (BKL) in Kuwait. BKL is currently under liquidation process, which is expected to be completed in 2008.

The Group sold its shares in Graphite India Limited during 2006 with a gain of approximately SR 3.9 million.

Various hydro-power joint-ventures represent projects undertaken by GPSA which was sold during 2007. Also see Note 1.

8. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the years ended December 31, were as follows (SR 000's):

2007	January 1, 2007	Additions	Disposals / transfers	Foreign currency translation adjustments	December 31, 2007
Cost:					
Land	SR 80,155	SR 4,008	SR (5,263)	SR 336	SR 79,236
Buildings and improvements	534,022	18,422	(91,496)	41,232	502,180
Machinery and equipment	1,384,484	69,239	(101,222)	21,664	1,374,165
Furniture and fixtures	120,020	15,813	(8,863)	4,991	131,961
Construction in progress	64,001	73,071	(74,754)	537	62,855
Total	2,182,682	180,553	(281,598)	68,760	2,150,397
Accumulated depreciation and impairment:					
Buildings and improvements	(250,907)	(86,274)	78,968	(11,623)	(269,836)
Machinery and equipment	(821,071)	(69,229)	42,164	(7,768)	(855,904)
Furniture and fixtures	(91,267)	(10,087)	8,700	(8,632)	(101,286)
Total	(1,163,245)	(165,590)	129,832	(28,023)	(1,227,026)
Property, plant and equipment - net	SR 1,019,437				SR 923,371

2006	January 1, 2006	Additions	Disposals / transfers	Foreign currency translation adjustments	December 31, 2006
Cost:					
Land	SR 76,662	SR 1,476	SR (1,270)	SR 3,287	SR 80,155
Buildings and improvements	510,625	22,473	(6,334)	7,258	534,022
Machinery and equipment	1,262,430	124,820	(18,786)	16,020	1,384,484
Furniture and fixtures	102,706	16,087	(2,442)	3,669	120,020
Construction in progress	94,435	50,607	(81,486)	445	64,001
Total	2,046,858	215,463	(110,318)	30,679	2,182,682
Accumulated depreciation and impairment:					
Buildings and improvements	(235,388)	(15,783)	2,435	(2,171)	(250,907)
Machinery and equipment	(720,232)	(99,091)	4,782	(6,530)	(821,071)
Furniture and fixtures	(81,988)	(9,574)	1,903	(1,608)	(91,267)
Total	(1,037,608)	(124,448)	9,120	(10,309)	(1,163,245)
Property, plant and equipment - net	SR 1,009,250				SR 1,019,437

Buildings and machinery and equipment of certain subsidiaries are located on land which is leased from the Saudi Arabian government at nominal annual rent for 25 Hijra years under renewable operating leases.

Disposals / transfers during 2007 include approximately SR 65.2 million and SR 18.7 million related to cost and accumulated depreciation respectively, for subsidiaries sold / deconsolidated during the year.

Disposals / transfers during 2007 also include approximately SR 136.9 million and SR 96.4 of costs and accumulated depreciation and impairment provision related to Amitech USA Ltd. classified as held for sale. Also see Notes 1 and 6.

Also see Note 22 for impairment provisions recorded during 2007 and 2006 against certain items of machinery and equipment related to foreign subsidiaries.

9. INTANGIBLE ASSETS

Movements in intangible assets during the years ended December 31, were as follows (SR 000's):

	Goodwill	Patents, trademarks and licenses	Other deferred charges and preoperating costs	Total
2007				
Balance, January 1	SR 44,570	SR 5,423	SR 23,834	SR 73,827
Additions	-	492	1,436	1,928
Amortization	-	(1,385)	(15,343)	(16,728)
Transfer to non-current assets held for sale (Note 6)	-	(713)	-	(713)
Foreign currency translation adjustments - net	1,703	-	89	1,792
Balance, December 31	SR 46,273	SR 3,817	SR 10,016	SR 60,106
2006				
Balance, January 1	SR 45,017	SR 9,066	SR 24,039	SR 78,122
Additions	-	208	1,645	1,853
Adjustments and reclassifications	(576)	(1,558)	-	(2,134)
Amortization	-	(2,318)	(2,157)	(4,475)
Foreign currency translation adjustments - net	129	25	307	461
Balance, December 31	SR 44,570	SR 5,423	SR 23,834	SR 73,827

10. SHORT-TERM BORROWINGS

Short-term borrowings, which bear financing charges at market rates, at December 31, were as follows (SR 000's):

	2007	2006
Bank overdrafts	SR 58,181	SR 154,485
Short-term bank loans	1,245,272	868,029
Total	SR 1,303,453	SR 1,022,514

Total unused short-term bank credit facilities available to the Group at December 31, 2007 were approximately SR 441.4 million.

Certain of the above short-term bank loans were collateralized by assignment of trade accounts receivable.

11. LIABILITIES AGAINST ASSETS UNDER CAPITAL LEASES

During 2004 SAAC sold and leased back certain machinery and equipment under capital lease agreements with a financial institution. The lease payments are due in semi-annual installments under the lease agreements. The amounts of future payments under the leases at December 31, were as follows (SR 000's):

	Minimum lease payments		Financial charges		Present value of minimum lease payments	
Year ending December 31,	2007	2006	2007	2006	2007	2006
2007	SR -	SR 15,162	SR -	SR 1,099	SR -	SR 14,063
2008	10,784	10,784	472	472	10,312	10,312
	SR 10,784	SR 25,946	SR 472	SR 1,571	10,312	24,375
Less current maturity shown under current liabilities					(10,312)	(14,063)
Long-term liabilities against assets under capital lease					SR -	SR 10,312

The present value of minimum lease payments has been discounted at an effective interest rate of approximately 4.4% per annum. Repairs and insurance costs related to the leased machinery and equipment are to be borne by SAAC. SAAC intends to exercise its option to purchase the leased assets at the termination of the lease periods at nominal values provided in the lease agreements.

12. LONG-TERM BORROWINGS

Long-term borrowings at December 31, were as follows (SR 000's):

	2007	2006
Loans from Saudi Industrial Development Fund ("SIDF")	SR 36,155	SR 49,735
Loans from commercial banks	169,119	175,072
Loans from minority shareholders	7,655	7,594
Total	212,929	232,401
Less current maturity shown under current liabilities	(69,121)	(55,903)
Long-term borrowings	SR 143,808	SR 176,498

Loans from SIDF - These represent loans obtained by SAAC from SIDF. The covenants in the loan agreements require the borrowers to maintain certain levels of financial condition, place limitations on dividend distributions and on annual capital and rental expenditures. These loans bear no financial charges and are secured by a mortgage on property, plant and equipment of SAAC.

Loans from commercial banks - SAAC and certain subsidiaries have obtained loan facilities from various commercial banks. These loans are mainly denominated in Saudi riyals, US dollars, Euros, South African rands, Indian rupees and Norwegian kroners. These loans generally bear financial charges based on prevailing market rates. These loans are principally secured by mortgage on the property, plant and equipment and encumbrance on trade accounts receivable. During 2007 a loan from a commercial bank provided to Amitech USA Ltd. was transferred to SAAC, amounting to SR 93.2 million at December 31, 2007 (Also see Note 1).

Minority shareholders - At December 31, 2007 SACOP, FPC and AWWS had loans from their minority shareholders of approximately SR 2.0 million, SR 5.6 million and SR 0.01 million (2006 - SR 2.0 million, SR 5.6 million and Nil) respectively. These loans did not bear any financial charges in 2007 and 2006. The loan of approximately SR 2.0 million related to SACOP will be repaid in 2008 and is included in the current maturity of long-term borrowing. The loans related to FPC and AWWS do not have specific repayment terms and are included in the non-current borrowings in the accompanying 2007 consolidated balance sheet.

The scheduled aggregate maturities of the long-term borrowings outstanding at December 31, 2007 were as follows (SR 000's):

Year ending December 31:		
2008	SR	69,121
2009		111,384
2010		11,788
2011		5,423
2012		531
Thereafter		14,682
Total	SR	212,929

13. ACCOUNTS PAYABLE, ACCRUALS AND OTHER CURRENT LIABILITIES

Accounts payable, accruals and other current liabilities at December 31, were as follows (SR 000's):

		2007		2006
Accounts payable:				
Trade	SR	485,331	SR	512,164
Affiliates (Note 15)		18,543		3,659
Accrued and other current liabilities:				
Salaries and wages		44,025		32,778
Income taxes and zakat payable		66,584		39,826
Advances from customers		78,539		84,656
Dividends payable		6,348		10,722
Other		146,273		177,222
Total	SR	845,643	SR	861,027

Dividends payable are payable to the minority shareholders of certain Saudi Arabian subsidiaries.

14. EMPLOYEE TERMINATION BENEFITS

Following is a summary of movements of employee termination benefits for the years ended December 31 (SR 000's):

		2007		2006
Balance, January 1	SR	80,764	SR	70,190
Provision for the year		16,032		13,140
Payments during the year		(3,599)		(2,566)
Balance, December 31	SR	93,197	SR	80,764

15. RELATED PARTY TRANSACTIONS

The Group's subsidiaries have significant transactions with their respective minority shareholders, other companies affiliated with such shareholders and other associates (collectively the "affiliates"). Significant transactions with affiliates during 2007 and 2006 were as follows:

a) SR 61.2 million of inventories were purchased from affiliates (2006 - SR 54.0 million).

b) SR 1.5 million was charged by affiliates as technical service and other fees (2006 - SR 1.5 million).

16. SHARE CAPITAL

In accordance with the Capital Market Authority's announcement dated March 27, 2006, the shares of SAAC were split into five shares for every one share effective April 15, 2006. Accordingly, the share capital of SAAC increased from 23.1 million ordinary shares of SR 50 each to 115.5 million ordinary shares of SR 10 each.

17. STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, a company is required to transfer 10% of its net income, after adjusting accumulated deficit, to a statutory reserve until such reserve equals 50% of share capital. No such transfer was made in 2006 due to the accumulated deficit at the end of 2006. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of SAAC. This reserve currently is not available for distribution to the shareholders of SAAC.

18. INCOME TAXES OF FOREIGN SUBSIDIARIES

Income taxes related to foreign subsidiaries for the years ended December 31, were as follows (SR 000's):

		2007		**2006**
Current income tax charges	SR	33,283	SR	7,892
Deferred income tax charges - net		10,280		11,562
Total	SR	43,563	SR	19,454

Movements in deferred income tax assets for the years ended December 31, were as follows (SR 000's):

	2007	2006
Balance, January 1	SR 40,645	SR 52,207
Charges during the year - net	(10,280)	(11,562)
Adjustments	(3,740)	-
Balance, December 31	SR 26,625	SR 40,645

19. SAUDI ARABIAN ZAKAT MATTERS

Components of Zakat

The Group's Saudi Arabian subsidiaries file separate zakat and income tax declarations which are filed on unconsolidated basis. The significant components of the zakat base of each company is comprised of shareholders' equity, provisions at the beginning of the year and estimated taxable income, less deductions for the net book value of property, plant and equipment, investments and certain other items. Zakat is included in the consolidated statements of income for the years ended December 31, as follows (SR 000's):

	2007	2006
Zakat for SAAC	SR 4,063	SR 4,009
Share of SAAC in zakat of subsidiaries and associates	13,937	7,767
Total	SR 18,000	SR 11,776

Final Assessments

SAAC and the Saudi Arabian subsidiaries have received zakat and income tax certificates for the years through 2006. SAAC has not yet received the final assessments for the years through 2003. The DZIT has not yet finalized the assessments for certain subsidiaries for various years. SAAC and certain Saudi Arabian subsidiaries have received additional zakat and income taxes assessments for various years totaling approximately SR 13.0 million. SAAC and these subsidiaries have appealed the assessments and Group management believes that no material liability will arise upon the ultimate resolution of these assessments. Accordingly, no provision for such assessments has been made in the accompanying consolidated financial statements.

20. SELLING AND MARKETING EXPENSES

Selling and marketing expenses for the years ended December 31, were as follows (SR 000's):

	2007	2006
Salaries, wages and benefits	SR 64,248	SR 59,215
Depreciation and amortization	4,227	4,373
Maintenance	5,321	4,871
Traveling	20,200	12,056
Marketing promotion	20,609	18,063
Communications	2,256	6,616
Other	7,989	5,061
Total	SR 124,850	SR 110,255

21. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended December 31, were as follows (SR 000's):

	2007	2006
Salaries, wages and benefits	SR 148,517	SR 135,802
Technical service fee	1,497	1,497
Depreciation and amortization	19,913	18,247
Traveling	13,955	17,055
Maintenance	7,363	6,722
Professional services	14,768	15,498
Communications	12,681	11,984
Other	25,204	18,704
Total	SR 243,898	SR 225,509

22. OTHER INCOME (EXPENSES) - Net

Other income (expenses) - net for the years ended December 31, principally includes (SR 000's):

	2007	2006
• Impairment provisions against investment, plant and equipment and inventories (Note 1)	SR (73,986)	SR (34,150)
• Provisions against settlement of an environment claim	-	(4,388)
• Insurance recoveries - net	710	11,508
• Gain on sale of available for sale securities	-	3,954
• Gain on sale of subsidiaries	12,480	-

During 2006 management concluded that provisions of approximately SR 34.2 million were required against a foreign investment due to legal issues surrounding the control over that investment and, additionally, against plant and equipment related to certain foreign subsidiaries due to decline in their economic performance resulting in their carrying values being higher than recoverable amounts.

During 2006 SADIP filed an insurance claim for approximately SR 11.6 million with a local insurance company which was received in January 2007. The insurance recoveries are presented in the accompanying 2006 consolidated statement of income net of the related assets written-off costs of approximately SR 0.1 million.

As described in Note 1, gain on sale of subsidiaries represents gain on sale of Latin American entities and GPSA.

23. SEGMENTAL INFORMATION

The Group operates principally in the following business segments:

- Manufacturing and selling various types of pipes;
- Development and licensing of technologies related to production of various types of pipes, construction and supply of related pipe manufacturing machines; and
- Water management and related consultancy, engineering and operations.

Selected financial information as of December 31, 2007 and 2006, and for the years then ended summarized by the above business segments, was as follows (SR 000's):

	Pipe manufacturing	Technology	Water management	Total
2007				
Sales - net	SR 2,750,051	SR 81,611	SR 270,090	SR 3,101,752
Net income	50,332	9,972	3,798	64,102
Financial charges - net	115,071	3,698	1,856	120,625
Depreciation and amortization	98,385	2,493	3,327	104,205
Property, plant and equipment - net	891,530	4,948	26,893	923,371
Total assets	3,566,672	265,497	228,287	4,060,456

2006				
Sales - net	SR 2,263,624	SR 75,234	SR 320,976	SR 2,659,834
Net income (loss)	16,966	14,563	(10,709)	20,820
Financial charges - net	113,917	4,500	1,100	119,517
Depreciation and amortization	116,199	8,713	4,011	128,923
Property, plant and equipment - net	960,040	37,469	21,928	1,019,437
Total assets	3,086,887	354,017	220,372	3,661,276

The Group's operations are conducted in Saudi Arabia, Europe and certain other geographical areas. Selected financial information as of December 31, 2007 and 2006, and for the years then ended summarized by geographic area, was as follows (SR 000's):

	Saudi Arabia	Europe	Other countries	Total
2007				
Sales - net	SR 1,456,022	SR 1,240,123	SR 405,427	SR 3,101,752
Property, plant and equipment - net	556,159	233,344	133,868	923,371
Other non-current assets - net	276,567	60,272	99,972	436,811
2006				
Sales - net	SR 1,344,293	SR 925,931	SR 389,610	SR 2,659,834
Property, plant and equipment - net	557,949	212,217	249,271	1,019,437
Other non-current assets - net	232,522	146,948	34,590	414,060

24. EARNINGS PER SHARE

Earnings per share for the year ended December 31, 2007 has been computed by dividing the net income for the year by 115,500,000 shares.

Earnings per share for the year ended December 31, 2006 has been computed by dividing the net income for the year by 115,500,000 shares to give a retroactive effect of the change in the number of shares which increased as a result of the share split on April 15, 2006 as described in Note 16.

25. CONTINGENCIES

The Group was contingently liable for bank guarantees totaling approximately SR 461.1 million at December 31, 2007 issued in the normal course of the Group's business.

Certain foreign subsidiaries have outstanding assessments related to income taxes and other local taxes in their respective countries of domicile. Such assessments are in various stages of appeal process. Group management believes that no material gain or loss will arise upon the ultimate resolution of these matters. Certain subsidiaries also have contingent carry over tax benefits.

Note 19 summarizes zakat and income taxes contingencies.

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the balance sheet include cash and cash equivalents, accounts receivable, investment in associates and joint ventures, short-term and long-term borrowings, liabilities against assets under capital leases, accounts payable, accrued and other current and non-current liabilities. The particular recognition methods adopted are disclosed in the individual policy associated with each item.

Financial assets and liabilities are offset and net amounts reported in financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

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

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. As the Group has no significant interest bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risks arise mainly from its borrowings, which are principally at floating rate of interest and are subject to re-pricing on a regular basis. Management monitors the changes in interest rates and believes that fair value and cash flow interest rate risks to the Group are not significant.

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

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group also has a number of investments in foreign subsidiaries, associates and joint ventures whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between Saudi riyals against Euros, Egyptian pounds and certain other currencies. Such exposures are recorded as a separate component of shareholders' equity in the accompanying consolidated financial statements. The Group's management monitors such exposures and considers the use of forward exchange contracts and borrowings denominated in the relevant foreign currencies to hedge the foreign currency exposures. However, there were no significant forward exchange contracts or other hedging instruments outstanding at December 31, 2007.

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

27. DATE OF APPROVAL

These consolidated financial statements were approved by the Board of Directors of SAAC on February 19, 2008.