

PROSPECTUS

Offer of 1,200,000 shares representing 30% of Aldrees Petroleum and Transport Services Company through an Initial Public Offering at an Offer Price of SAR 185 per share



ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY

A Saudi Joint Stock Company (under conversion) in accordance with Ministerial Resolution No. 1707 dated 3/11/1426H (corresponding to 5/12/2005G)

Offering Period from Saturday 21/12/1426H (corresponding to 21/1/2006G)
To Monday 30/12/1426H (corresponding to 30/1/2006G)

Aldrees Petroleum and Transport Services Company (hereinafter referred to as "Aldrees", "APTSCO" or the "Company") was formed as a Saudi limited partnership with Commercial Registration Number 1010002475, dated 13 Rabi' Al-Thani 1382H (corresponding to 12 September 1962G). On 15 Rabi' Al-Thani 1423H (corresponding to 26 June 2002G), the Company amended its Article of Association and converted into a limited liability company. The Minister of Commerce and Industry has, pursuant to resolution No. 1707 dated 3 Dhul Qa'dah 1426H (corresponding to 5 December 2005G), authorized the conversion of the Company from a limited liability company to a joint stock company. The share capital of the Company is SAR 200 million consisting of 4 million shares with a nominal value of SAR 50 each. Following completion of the Offering (as defined below) and the conclusion of the conversion general assembly meeting, an application will be submitted to the Minister of Commerce and Industry requesting the announcement of the conversion of the Company. The Company will be considered duly converted into a joint stock company from the date of issuance of the Ministerial Resolution declaring its conversion.

The Initial Public Offering (the "Offering") of up to 1,200,000 shares (the "Offer Shares") with a nominal value of SAR 50 each, all of which are fully paid, and with a premium of SAR 135 per Offer Share, representing 30% of the issued share capital of Aldrees, is directed at and may be accepted by Saudi nationals only. The Offer Shares are being sold by Aldrees family members whose names appear on page vi (referred to collectively hereinafter as the "Selling Shareholders"), who collectively own 100% of the Shares of the Company at the date hereof. Upon completion of the Offering, it is expected that (assuming full subscription to the Offering) the Selling Shareholders will own collectively 70% of the Shares and will consequently retain a controlling interest in the Company. The net proceeds from the Offering will be distributed to the Selling Shareholders pro-rata based on each Selling Shareholder's percentage ownership in the Shares being sold in the Offering. The Company will not receive any part of the proceeds from the Offering. The Offering is fully underwritten (See "Underwriting" section).

The Offering will commence on 21 Dhul Hijjah 1426H (corresponding to 21 January 2006G) and will remain open for a period of 10 days up to and including 30 Dhul Hijjah 1426H (corresponding to 30 January 2006G) (the "Offering Period"). Subscription to the Offer Shares can be made through branches of each of the Saudi British Bank (the "Lead Manager") and the selling agents (the "Selling Agents") during the Offering Period.

Each individual subscriber to the Offer Shares (the "Subscriber" and collectively referred to as the "Subscribers") must apply for a minimum of 10 Offer Shares. The Company does not guarantee the minimum allocation of 10 Offer Shares. In the event that the number of Subscribers exceeds 120,000, the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds the number of Offer Shares, the allocation will be determined at the discretion of the CMA ("CMA" or the "Authority"). Excess subscription monies, if any, will be returned to Subscribers without any charge or withholding by the Lead Manager. Notification of the final allotment and refund of subscription monies, if any, will be made by 6 Muharram 1427H (corresponding to 5 February 2006G).

Each Share entitles the holder to one vote and each shareholder (the "Shareholder") with at least 20 Shares has the right to attend and vote at the general assembly meeting (the "General Assembly Meeting"). The Offer Shares will be entitled to receive dividends declared by the Company from the date of commencement of the Offering Period and for subsequent fiscal years (see "Dividend Record and Policy" section).

Prior to the Offering, there has been no public market for the Shares in Saudi Arabia or elsewhere. An application has been made to the CMA for the admission of the Shares to the Official List and all relevant approvals pertaining to this Prospectus and all other supporting documents requested by the CMA have been granted. Trading in the Shares is expected to commence on the Exchange soon after the final allocation of the Shares (See "Key Dates for Investors" section). Subsequent to Shares commencing trading, Gulf Cooperation Council ("GCC") nationals, companies, banks and funds, will be permitted to trade in the Shares.

The "Important Notice" and "Risk Factors" sections in this Prospectus should be considered carefully prior to making an investment decision in the Offer Shares hereby.

Financial Advisor

Lead Manager and Sole Underwriter



Selling Agents



This Prospectus includes details given in compliance with the Listing Rules of the Capital Market Authority of Saudi Arabia. The Directors, whose names appear on page iii; collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and the Saudi Arabian Stock Exchange take no responsibility for the contents of this document, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

This Prospectus is dated 11/11/1426H 13/12/2005

English Translation of the Official Arabic Prospectus

Important Notice

This Prospectus provides full details of information relating to Aldrees and the Shares being offered. In applying for the Offer Shares, investors will be treated as applying on the basis of the information contained in the Prospectus, copies of which are available for collection from the Lead Manager and Selling Agents (as defined below) or by visiting the Company's website (www.aldrees.com) or the CMA's website (www.cma.org.sa).

HSBC Financial Services (Middle East) Limited ("HSBC") has been appointed by the Company to act as Financial Advisor and the Saudi British Bank has been appointed by the Company to act as Lead Manager and Sole Underwriter (the "Lead Manager") in relation to the Offer Shares described herein.

This Prospectus includes details given in compliance with the Listing Rules of the CMA. The Directors, whose names appear on page iii; collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and the Saudi Arabian Stock Exchange take no responsibility for the contents of this document, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of the market and industry information herein are derived from external sources, and while neither HSBC nor the Company's advisors has any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial state of the Company and the value of the Shares may be adversely affected by future developments in inflation, interest rates, taxation, or other economic, political and other factors, over which the Company has no control. Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the Offer Shares is intended to be, or should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of Aldrees, the Selling Shareholders or any of their advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and for considering the appropriateness of the information herein, with regard to individual objectives, financial situations and needs.

The Offering is being made to, and is only capable of acceptance by, nationals of Saudi Arabia. The distribution of this Prospectus and the sale of the Offer Shares to any other persons or in any jurisdiction is expressly prohibited. The Company, Selling Shareholders, and Lead Manager require recipients of this Prospectus to inform themselves about and to observe all such restrictions.

Financial Information

The audited financial statements as at and for the years ended 31 December 2002, 2003 and 2004 and the notes thereto and the interim audited financial statements as at and for the six months ended 30 June 2004 and 2005 and the notes thereto, each of which are incorporated elsewhere in the Prospectus, have been prepared in conformity with the Saudi Organization for Certified Public Accountants ("SOCPA") Generally Accepted Accounting Principles. The Company publishes its financial statements in Saudi Arabian Riyals.

IMPORTANT NOTICE

Forecasts and Forward Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain statements in this Prospectus constitute “forward-looking-statements”. Such statements can generally be identified by their use of forward-looking words such as “plans”, “estimates”, “believes”, “expects”, “anticipates”, “may”, “will”, “should”, “expected”, “would be” or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (see “*Risk Factors*” section). Should any one or more of the risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned or expected.

Subject to the requirements of the Listing Rules, Aldrees does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Corporate Directory

Directors

Name	Title
Hamad bin Mohammad Aldrees	Chairman
Eng. Abdulmohsen bin Mohammad Aldrees	Vice-Chairman
Eng. Abdulillah bin Saad Aldrees	Director
Fahad bin Saad Aldrees	Director
Saud bin Mohammad Aldrees	Director
Khalid bin Abdullah Aldrees.....	Director
Khalid bin Abdulmohsen Aldrees	Director

Registered Office



Aldrees Petroleum and Transport Services Company
Company's Representative: Eng. Abdulillah bin Saad Aldrees
Khurais Road, East Naseem
PO Box 609
Riyadh 11421
Kingdom of Saudi Arabia

Board of Directors' Secretary

Khalid bin Abdulmohsen Aldrees
Aldrees Petroleum and Transport Services Company
PO Box 609
Riyadh 11421
Kingdom of Saudi Arabia

Share Registrar



Tadawul
Abraj Attuwenya
700 King Fahad Road
PO Box 60612
Riyadh 11555
Kingdom of Saudi Arabia

Advisors

Financial Advisor



HSBC Financial Services (Middle East) Limited
PO Box 4604
Dubai, United Arab Emirates

Legal Advisors to the Transaction



Clifford Chance, Limited Liability Partnership
PO Box 9380
Dubai, United Arab Emirates



Al-Jadaan Law Firm
PO Box 3515
Riyadh 11481
Kingdom of Saudi Arabia

Registered Auditors and Reporting Accountants



Deloitte & Touche Bakr Abulhair & Co
PO Box 213
Riyadh 11411
Kingdom of Saudi Arabia

Lead Manager and Sole Underwriter



The Saudi British Bank
PO Box 9084
Riyadh 11413
Kingdom of Saudi Arabia

Selling Agents



The Saudi British Bank
PO Box 9084
Riyadh 11413
Kingdom of Saudi Arabia



Saudi Hollandi Bank
PO Box 1467
Riyadh 11431
Kingdom of Saudi Arabia



Samba Financial Group
PO Box 833
Riyadh 11421
Kingdom of Saudi Arabia



National Commercial Bank
PO Box 3555
Jeddah 11481
Kingdom of Saudi Arabia

The Offering

Offer Price	SAR 185 per share
Total number of issued Shares	4,000,000 fully paid ordinary shares
Number of Offer Shares	1,200,000 fully paid ordinary shares
Percentage of Offer Shares	The Offer Shares represent 30% of the Company's issued share capital
Nominal value	SAR 50 per share
Total value of Offer Shares	SAR 222,000,000
Number of Offer Shares underwritten	1,200,000 shares
Amount underwritten	SAR 222,000,000
Minimum number of Offer Shares to be applied for	10 shares
Minimum subscription amount	SAR 1,850
Maximum number of Offer Shares to be applied for	5,000 shares
Maximum subscription amount	SAR 925,000

Selling Shareholders	Pre-Offering		Post-Offering	
	Shares	Percent	Shares	Percent
Hamad Mohammad Saad Aldrees.....	1,019,304	25.48%	713,513	17.84%
Abdulmohsen Mohammad Saad Aldrees.....	1,019,304	25.48%	713,513	17.84%
Abdulaziz Saad Mohamed Aldrees.....	70,956	1.77%	49,669	1.24%
Abdullah Saad Mohamed Aldrees.....	70,956	1.77%	49,669	1.24%
Fahad Saad Mohamed Aldrees.....	86,728	2.17%	60,710	1.52%
Khalid Saad Mohamed Aldrees.....	86,728	2.17%	60,710	1.52%
Khalid Abdullah Mohamed Aldrees.....	153,792	3.84%	107,654	2.69%
Mazin Abdullah Mohamed Aldrees.....	153,792	3.84%	107,654	2.69%
Idrees Mohammad Saad Aldrees.....	106,600	2.67%	74,620	1.87%
Musaad Mohammad Saad Aldrees.....	106,600	2.67%	74,620	1.87%
Saud Mohammad Saad Aldrees.....	106,600	2.67%	74,620	1.87%
Adel Mohammad Saad Aldrees.....	106,600	2.67%	74,620	1.87%
Saad Mohammad Saad Aldrees.....	106,600	2.67%	74,620	1.87%
Badr Mohammad Saad Aldrees.....	106,600	2.67%	74,620	1.87%
Shrifah Mohammad Al Hamad.....	118,288	2.96%	82,802	2.07%
Badria Saad Mohamed Aldrees.....	35,496	0.89%	24,847	0.62%
Norah Saad Mohamed Aldrees.....	43,384	1.08%	30,369	0.76%
Souaad Saad Mohamed Aldrees.....	43,384	1.08%	30,369	0.76%
Asma'a Abdullah Mohamed Aldrees.....	76,896	1.92%	53,827	1.35%
Wafa'a Abdullah Mohamed Aldrees.....	76,896	1.92%	53,827	1.35%
Hessah Mohammad Saad Aldrees.....	83,732	2.09%	58,612	1.47%
Shiekhah Mohammad Saad Aldrees.....	83,732	2.09%	58,612	1.47%
Norah Mohammad Saad Aldrees.....	83,732	2.09%	58,612	1.47%
Johara Mohammad Saad Aldrees.....	53,300	1.33%	37,311	0.93%
Total Aldrees Family Members	4,000,000	100.00%	2,800,000	70.00%
Public	0	0.00%	1,200,000	30.00%
Total	4,000,000	100.00%	2,800,000	70.00%

THE OFFERING

Use of proceeds	The net proceeds of the Offering will be paid to the Selling Shareholders pro-rata based on each Selling Shareholder's percentage ownership in the Shares being sold in the Offering. The Company will not receive any proceeds from the Offering.
Allocation of Offer Shares	Allocation of the Offer Shares is expected to be completed on or around 6/1/1427H (corresponding to 5/2/2006G). In the event of the Offering being oversubscribed, each investor will be allocated a minimum of 10 Offer Shares with the remaining Offer Shares being allocated on a pro-rata basis. The Company does not guarantee the minimum allocation of 10 Offer Shares in the event that the number of Subscribers exceeds 120,000. In that case, the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds the number of Offer Shares, the allocation will be determined at the discretion of the CMA.
Offering period	The Offer will commence on Saturday 21/12/1426H (corresponding to 21/1/2006G) and will remain open for a period of 10 days up to and including 30/12/1426H (corresponding to 30/1/2006G).
Dividends	The Offer Shares will be entitled to receive dividends declared by the Company from the date of commencement of the Offering Period and for subsequent fiscal years. For a discussion of the Company's dividend policy, see "Dividend Record and Policy" section.
Voting rights	The Company has only one class of Shares and no Shareholder has any preferential voting rights. Each Share entitles the holder to one vote and each Shareholder holding at least 20 Shares has the right to attend and vote at the General Assembly Meeting. For a discussion of the Company's voting rights, (see "Voting Rights" section).
Share restrictions	The Selling Shareholders may not dispose of any Shares during the period of 6 months from the date on which trading of the Offer Shares commences on the Exchange. After the 6-month share-restriction period has elapsed, the Selling Shareholders may dispose of their Shares only after obtaining CMA approval.
Listing of shares	Prior to the Offering, there has been no public market for the Shares in Saudi Arabia or elsewhere. An application has been made to the CMA for the admission of the Shares to the Official List and all relevant approvals pertaining to this Prospectus and all other supporting documents requested by the CMA in addition to all relevant regulatory approvals required to conduct the Offering have been granted. Trading is expected to commence on the Exchange soon after the final allocation of the Shares. (See "Key Dates for Investors" section.)
Risk factors	There are certain risks relating to an investment in this Offering. These risks can be categorized into (i) Risks relating to the Company's operations; (ii) Risks relating to the market; (iii) Risks relating to ordinary shares. These risks are described in the "Risk Factors" section of this Prospectus, and should be considered carefully prior to making an investment decision in the Offer Shares.

Key Dates for Investors

Offering Timetable	Date
Offering period.....	Saturday 21/12/1426H (corresponding to 21/1/2006G) to Monday 30/12/1426H (corresponding to 30/1/2006G)
Last date for submission of application form and subscription monies.....	Monday 30/12/1426H (corresponding to 30/1/2006G)
Notification of final allotment and refund of funds (in the event of over-subscription)	Sunday 6/1/1427H (corresponding to 5/2/2006G)
Start date of trading of Offer Shares	Upon completion of all relevant procedures

The above timetable and dates therein are indicative. Actual dates will be communicated through national press announcements.

How to Apply

Subscription Application Forms will be available during the Offering Period at the branches of the Lead Manager and Selling Agents. The forms must be completed in accordance with the instructions described in the “*Subscription Terms and Conditions*” section of this Prospectus.

Summary of Key Information

This summary of key information aims to give an overview of the information contained in this Prospectus. As it is a summary, it does not contain all of the information that may be important to interested Subscribers. Recipients of this Prospectus should read the whole Prospectus before making a decision as to whether or not to invest in the Company. Capitalized and abbreviated terms have the meanings ascribed to such terms in the “Definitions and Abbreviations” section and elsewhere in this Prospectus.

The Company

Aldrees Petroleum and Transport Services Company (hereinafter referred to as “Aldrees”, “APTSCO” or the “Company”) was first formed as a Saudi limited partnership on 13 Rabi’ Al-Thani 1382H (corresponding to 12 September 1962G) in Riyadh, Saudi Arabia under Commercial Registration No. 1010002475 and operated under the name “Mohammad Saad Aldrees and Sons Company”.

On 15 Rabi’ Al-Thani 1423H (corresponding to 26 June 2002G), the Company amended its Article of Association and converted into a limited liability company. On 2 Dhul Qa’adah 1425H (corresponding to 14 December 2004G), the Company changed its name to Aldrees Petroleum and Transport Services Company. The Company was then converted from a limited liability company into a joint stock company in accordance with the Resolution of the Minister of Commerce and Industry’s No. 1707 dated 3 Dhul Qa’adah 1426H (corresponding to 5 December 2005G). The share capital of the Company is SAR 200 million divided into 4 million fully paid ordinary shares with a par value of SAR 50 each. Following completion of the Offering and the conclusion of the Conversion General Assembly Meeting, an application will be submitted to the Minister of Commerce and Industry requesting the announcement of the Conversion of the Company. The Company will be considered duly converted into a joint stock company from the date of issuance of the Ministerial Resolution declaring its Conversion.

The Company manages and operates three main divisions: petroleum services, transport services and Super 2 Division. The petroleum services division is primarily engaged in the wholesale and retail trading of fuel, oil and lubricants. The transport services division is engaged in the transportation of goods and operates vehicle workshops, providing the full maintenance requirements for its own fleet. The Super 2 Division - a new addition to the Company - owns and operates coffee, cake and pastry stores and high-end car wash centers located within the Company’s gas station network.

Key Strengths

Aldrees is one of the major players in the petroleum and transport sectors in Saudi Arabia. The Management of the Company views the following as distinguishing key strengths.

Experienced Management

The Management of the Company is very well experienced in the petroleum and transport industries. Most of the Management team members have been with the Company for more than 15 years contributing to its success.

SUMMARY OF KEY INFORMATION

Human Resources Development and Incentives

Aldrees, through its human resources department, has designed and developed ongoing comprehensive training programs. The ongoing programs cover orientation for new employees where they are familiarized with the Company's policies and procedures. In addition, ongoing training programs update employees with the latest development in policies and procedures. The human resources department provides personalized training and development courses as per each employee's needs. The Company also adopts a performance related profit-sharing scheme, which further promotes employees' loyalty.

Integrated Enterprise Resource Planning Software

As part of its efforts to maximize the efficiency of its operations, the Company has developed an in-house Enterprise Resource Planning ("ERP") software with strong inherent internal controls. The software integrates the various operations of the Company and facilitates the workflow across all departments.

In addition to the above, the Company enjoys various key strengths that pertain to the Company's petroleum and transport divisions. (See "*Key Strengths*" section of the Prospectus for more details.)

Vision and Mission Statements

Vision

To be the most admired and efficiently run petroleum retailing and commodity hauling company in the Kingdom of Saudi Arabia.

Mission

To render value-added services to customers through well-trained and developed competencies and to implement global best practices in operational processes and generate above average returns to shareholders

Summary Financial Information

The selected financials presented below should be read in conjunction with the audited financial statements as at and for the years ended 31 December 2002, 2003 and 2004, including in each case, the notes thereto, and the interim audited financial statements as at and for the six months ended 30 June 2004 and 2005 and the notes thereto, each of which are included elsewhere in this Prospectus.

Key Financial Highlights (SAR '000)					
	Six Months Ended 30 June		Year Ended 31 December		
	2005	2004	2004	2003	2002
Operational Performance					
Revenue	380,194	291,872	622,547	502,943	374,886
Cost of revenue	(347,685)	(263,955)	(566,728)	(467,734)	(347,091)
Gross profit	32,509	27,917	55,819	35,209	27,795
Selling expenses	(784)	(721)	(1,949)	(841)	(668)
General & administrative expenses	(10,657)	(7,632)	(15,547)	(13,360)	(9,380)
Operating income	21,068	19,564	38,323	21,008	17,747
Financing charges	(578)	(312)	(761)	(473)	(301)
Other income, net	1,645	572	1,269	554	1,003
Income before Zakat	22,135	19,824	38,831	21,089	18,449
Zakat	(600)	(517)	(1,033)	(470)	(404)
Net income	21,535	19,307	37,798	20,619	18,045
Financial Condition					
Current assets	117,598	107,292	110,444	80,647	79,571
Total assets	314,323	310,616	320,483	248,888	221,250
Current liabilities	101,946	121,738	112,314	95,693	71,840
Total liabilities	112,170	129,067	120,443	101,772	77,348
Shareholders' equity	202,154	181,549	200,040	147,116	143,902
Key Indicators					
Gross profit margin (%)	8.55%	9.56%	8.97%	7.00%	7.41%
Net profit Margin (%)	5.66%	6.61%	6.07%	4.10%	4.81%
Current ratio (times)	1.15x	0.88x	0.98x	0.84x	1.11x
Total liabilities to total assets (%)	35.69%	41.55%	37.58%	40.89%	34.96%
Total liabilities to equity (%)	55.49%	71.10%	60.20%	69.18%	53.75%
Return on equity (%)*	19.80%	-	18.90%	14.02%	12.54%
Return on assets (%)*	12.74%	-	11.79%	8.28%	8.16%
Revenue growth rate (%)	30.26%	-	23.78%	34.16%	-
Dividends payout ratio (%)	90.00%	-	-	26.01%	71.09%

Source: Audited Financial Statements

* Using last 12 months audited results

Contents

1.	Definitions and Abbreviations	1
2.	Risk Factors	3
2.1	Risks Relating to the Company's Operations	3
2.2	Risks Relating to the Market	5
2.3	Risks Related to Ordinary Shares	6
3.	The Company	7
3.1	Introduction	7
3.2	Products and Services	8
3.3	Corporate Reorganization	14
3.4	Affiliates and Subsidiaries	15
3.5	Key Strengths	16
3.6	Future Prospects	17
3.7	Vision and Mission Statements	18
4.	Market Overview	19
4.1	Petroleum Services	19
4.2	Transport Services	21
5.	Operational and Support Functions	25
5.1	Marketing and Sales Procedures	25
5.2	Management and Business Information Systems	26
5.3	Financial Accounting System	26
5.4	Human Resources Management System	27
5.5	Systems Security and Backup Procedures	27
5.6	Safety and Environmental Matters	27
6.	Corporate Structure	28
6.1	Directors and Senior Management	28
6.2	Corporate Governance	31
6.3	Services Contracts	32
6.4	Declaration of Directors and Key Officers	34
6.5	Remuneration of Directors and Management	34
6.6	Employees	34
7.	Accountants' Report	37
8.	Interim Financial Statements	55
9.	Management's Discussion and Analysis of Financial Condition and Results of Operations	69
9.1	Directors' Declaration for Financial Information	69
9.2	Results of Operations	69
9.3	Financial Condition, Liquidity and Other Items	79
9.4	Statement of Management's Responsibility for Financial Information	84
10.	Dividend Record and Policy	85
11.	Capitalization and Indebtedness	86
12.	Use of Proceeds	88
13.	Description of the Shares	89
13.1	Share Capital	89
13.2	Shareholders' Rights	89
13.3	Shareholders Assemblies	89
13.4	Voting Rights	90
13.5	The Shares	91
13.6	Duration of the Company	91
13.7	Dissolution and Winding-up of the Company	91
14.	Summary of the Company's Bylaws	92
15.	Legal Information	98
15.1	Governmental Consents, Licenses and Approvals	98
15.2	Principal Properties	98
15.3	Intellectual Property and Information Technology	99
15.4	Insurance	99
15.5	Financing Agreements	100
15.6	Certain Relationships and Related Party Transactions	100
15.7	Litigation	101

CONTENTS

16. Underwriting.....	102
16.1 Underwriter.....	102
16.2 Summary of Underwriting Arrangement	102
17. Subscription Terms and Conditions	104
17.1 Subscription to Offer Shares	104
17.2 Allocation and Refunds	105
17.3 Acknowledgements	106
17.4 Miscellaneous	106
17.5 The Saudi Arabian Stock Exchange (Tadawul).....	107
17.6 Trading on Tadawul	107
18. Documents Available for Inspection.....	108

Exhibits

Exhibit 3-1: Aldrees Ownership Structure	8
Exhibit 3-2: Number of Outlets (1999-2004).....	9
Exhibit 3-3: Revenues from Petroleum Services (SAR '000)	9
Exhibit 3-4: Petroleum Services Clients	10
Exhibit 3-5: Number of Tractors Heads and Trailer Equipment.....	11
Exhibit 3-6: Transport Services Revenue by Product (SAR '000)	11
Exhibit 3-7: Chemicals and Acids Transported by Aldrees for SABIC.....	12
Exhibit 3-8: Breakdown of Transport Revenues from SABIC (SAR '000)	12
Exhibit 3-9: Revenue from Chemical Hauling for Other Customers (SAR '000).....	13
Exhibit 3-10: Revenue from Base Oil Hauling by Customer (SAR '000)	13
Exhibit 3-11: Bulk Sugar Hauling Revenue (SAR '000).....	13
Exhibit 3-12: Revenue from Barley Grain Hauling by Customer (SAR '000).....	14
Exhibit 3-13: Revenue from Fuel and Other Transportation Services (SAR '000).....	14
Exhibit 3-14: Aldrees' Affiliates.....	15
Exhibit 3-15: Super 2 Division Rollout (2005 - 2009)	18
Exhibit 4-1: Main Uses of Common Oil Products	19
Exhibit 4-2: Domestic Consumption of Refined Product (Million Barrels).....	20
Exhibit 4-3: Imports of Automobiles (1992 - 2002)	20
Exhibit 4-4: Gas Station Ownership Structure.....	21
Exhibit 4-5: Volume of PVC Powder in 2004.....	22
Exhibit 4-6: Volume of PVC Pellets in 2004	22
Exhibit 4-7: Base Oil Volume in 2004.....	23
Exhibit 4-8: Volume of Sugar Hauling in 2004.....	23
Exhibit 4-9: Volume of Barley Hauling in 2004	24
Exhibit 6-1: Aldrees' Board of Directors as of January 1, 2003	28
Exhibit 6-2: Aldrees' Senior Management Team.....	28
Exhibit 6-3: Aldrees' Current Audit Committee Members.....	31
Exhibit 6-4: Aldrees' Current Executive Committee Members.....	31
Exhibit 6-5: Number of Employees by Division	34
Exhibit 9-1: Income Statements (SAR '000).....	70
Exhibit 9-2: Income Statements as a Percentage of Revenues	70
Exhibit 9-3: Number of Gas Stations	70
Exhibit 9-4: Breakdown of Revenues (SAR '000).....	71
Exhibit 9-5: Petroleum Revenue Breakdown (SAR '000).....	72
Exhibit 9-6: Transport Revenue Breakdown (SAR '000).....	73
Exhibit 9-7: Revenues by Volume Sales (Litres '000)	74
Exhibit 9-8: Fuel Prices (Halalas per liter).....	74
Exhibit 9-9: Transport Volume Hauled (Tons '000)	74
Exhibit 9-10: Operating Income (SAR '000)	75
Exhibit 9-11: Cost of Revenue (SAR '000).....	75
Exhibit 9-12: Cost of Revenue - Petroleum (SAR '000)	76
Exhibit 9-13: Cost of Revenue - Transport (SAR '000)	77
Exhibit 9-14: Selling Expenses (SAR '000).....	77
Exhibit 9-15: General and Administrative Expenses (SAR '000).....	78
Exhibit 9-16: Net Income (SAR '000)	78
Exhibit 9-17: Net Income by Division (SAR '000)	79
Exhibit 9-18: Cash Flows (SAR '000).....	79
Exhibit 9-19: Operating Cash Flows (SAR '000)	80
Exhibit 9-20: Investing Cash Flows (SAR '000).....	80
Exhibit 9-21: Fixed Assets (SAR million).....	81
Exhibit 9-22: Financing Cash Flows (SAR '000)	82
Exhibit 9-23: Working Capital as of 30 June 2005 (SAR).....	82
Exhibit 9-24: Commitments and Contingencies (SAR '000).....	83
Exhibit 11-1: Aldrees Capitalization	86
Exhibit 11-2: Aldrees Ownership Structure	86
Exhibit 15-1: Company's Insurance Coverage.....	99

1. Definitions and Abbreviations

Term	Definition
Advisors	The Company's and Selling Shareholders' advisors with respect to the Offering whose names appear on page iv
Aldrees, APTSCO or the Company	Aldrees Petroleum and Transport Services Company
Audited Financial Statements	The financial statements of the Company as at and for the years ended 31 December 2004, 2003 and 2002 and notes thereto and the interim financial statements as at and for the six months ended 30 June 2005 and 2004 and the notes thereto, all of which were audited by Deloitte & Touche Bakr Abulkhair & Co.
Board of Directors or Board	The Company's Board of Directors
Bylaws	The Company's Bylaws becoming effective on the conversion of the Company to a joint stock company
CMA or the Authority	The Capital Market Authority, including where the context permits any committee, sub-committee, employee or agent to whom any function of the Authority may be delegated
Regulations for Companies	The Regulations for Companies, issued under Royal Decree No. M/6, dated 22/3/1385H, as amended
Conversion	The conversion of Aldrees from a limited liability company to a joint stock company
Directors	The Board members whose names appear on page (iii)
DOP	Diocetyl Phthalate, a chemical substance transported by the Company in the form of powder or pellets
EBCZDA	Earnings before Bank Charges, Zakat, Depreciation and Amortization
ERP	Enterprise Resource Planning software
Exchange	The Saudi Stock Exchange including where the context permits any committee, sub-committee, employee, officer, servant or agent to whom any function of the Exchange may for the time being be delegated, and "on the Exchange" means any activity taking place through or by the facilities provided by the Exchange. Pending the establishment of the Exchange, any reference to the Exchange shall be construed as a reference to Tadawul
Financial Advisor	HSBC Financial Services (Middle East) Limited appointed by the Company to act as the Financial Advisor in connection with the Offering
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
Government	Government of Saudi Arabia
HSBC	HSBC Financial Services (Middle East) Limited
IT	Information Technology
JOSLOC	Al-Jomaih and Shell Lubricating Oil Company Ltd.
Kingdom	Kingdom of Saudi Arabia
Lead Manager	The Saudi British Bank appointed by the Company in relation to the Offering
Listing Rules	The Listing Rules issued by the CMA pursuant to Article 6 of the Capital Market Regulations promulgated under Royal Decree No. M/30 dated 2/6/1424H (corresponding to 31/7/2003G)
Luberef	Saudi Aramco Lubrication Oil Refining Company

DEFINITIONS AND ABBREVIATIONS

Term	Definition
Management	The management of Aldrees Petroleum and Transport Services Company Limited
MBA	Masters of Business Administration
MoCI	Ministry of Commerce and Industry
MoT	Ministry of Transport
NBV	Net Book Value
Offer Price	SAR 185 per share
Offer Shares	1,200,000 ordinary shares of Aldrees
Offering or IPO	The initial public offering of 1,200,000 ordinary shares representing 30% of the issued share capital of Aldrees
Offering Period	The period starting from 21/12/1426H (corresponding to 21/1/2006G) up to and including 30/12/1426H (corresponding to 30/1/2006G)
Official Gazette	Um Al Qura, the official Gazette of the Government of Saudi Arabia
Official List	The list of securities maintained by the CMA in accordance with the Listing Rules
Person	A natural Person
Petrolube	Saudi Arabian Lubricating Oil Company
Prospectus	This document prepared by the Company in relation to the Offering
PVC	Poly Vinyl Chloride, a chemical substance transported by the Company in the form of powder or pellets
SABB	The Saudi British Bank
SABIC	Saudi Arabian Basic Industries Corporation
SAR	Saudi Arabian Riyal
Saudi Arabia or KSA	Kingdom of Saudi Arabia
Selling Agents	Saudi British Bank, Saudi Hollandi Bank, Samba Financial Group, and National Commercial Bankl.
Selling Shareholders	Family members of Aldrees whose names appear on page (vi)
Shareholders	The holders of the Shares as of any particular time
Shares	4,000,000 fully paid ordinary shares of the Company with a nominal value of SAR 50 each
SOCPA	Saudi Organization for Certified Public Accountants
Sole Underwriter	The Saudi British Bank appointed by the Company in relation to the Offering
Subscriber	Each Saudi citizen subscribing to the Offer Shares
Subscription Application Form	Application form to subscribe to the Offer Shares
Super Division 2	A new addition to the Company, which owns coffee, cake and pastry stores and high-end car wash centers within the Company's gas station network
Tadawul	Automated system for trading of Saudi shares
UAE	United Arab Emirates
Underwriting Agreement	The Underwriting agreement among the Selling Shareholders, the Company and the Sole Underwriter
USA	United States of America
USC	United Sugar Company

2. Risk Factors

In considering an investment in the Offer Shares, prospective investors should carefully consider all the information contained in this Prospectus, including the risks described below. Aldrees' business, prospects, financial condition, results of operations and cash flows could be adversely and materially affected if any of the following risks, which the Company's management (the "Management") currently believes to be material, or any other risks that the Management has not identified or that it currently considers not to be material, actually occur or become material risks. The trading price of the Company's Offer Shares could decrease due to any of these risks, and prospective investors may lose all or part of their investment.

2.1 Risks Relating to the Company's Operations

2.1.1 Regulatory Risks

The Company is subject to a number of regulations in the Kingdom of Saudi Arabia in relation to the operation of the businesses of its petrol, transport and Super 2 divisions.

In particular, the Company is required to operate its transport division under a license obtained by the Ministry of Transport ("MoT"), which must be renewed on its expiry. Although historically the license has been renewed, there can be no assurance that the license would be renewed in the future and the failure to obtain such a license would cause major disruption to the business of the transport division.

In addition, the operations of the petrol stations by the Company require the issue of licenses granted by the local municipal authority. The failure to obtain such licenses for new petrol stations or renewal of licenses for existing petrol stations would cause major disruption to the business of the petrol division.

A large proportion of the Company's workforce comprises non-Saudi nationals and as such the Company maybe adversely affected by the imposition of more stringent Saudization requirements.

Furthermore, any change to the regulations applicable to the operations of the Company, such as in relation to the handling, storage, disposal and transport of petroleum and other hazardous and/or toxic substances, environmental protection measures or the operation of cafés may have a significant impact on the operational costs, performance and results of the Company.

2.1.2 Environmental and Public Safety Risks

Though the Company implements procedures to protect the environment, and complies with public safety laws, more strict regulations concerning environment and public safety will increase Company's cost and may significantly affect its results of operations and financial position.

It is also possible that Company's net income, results of operations, and financial position will be significantly affected in case of major loss or damage that could result from dealing with hazardous and/or toxic substances if such incidents were not covered with insurance terms or if were caused by accidents for which no insurance was purchased.

RISK FACTORS

2.1.3 Reliance on Institutional and Public Sector Customers

In 2004, revenue from contracts with institutional and public sector customers and represented around 45% of the total revenues of the petroleum division. Since those contracts are renewed through public bids, the Company is subject to the risk of non-renewal of existing contracts and inability to secure new ones.

In addition, the transportation business is dependent on the Company's ability to secure and retain contracts with institutional and public sector customers to transport their products.

If the Company fails to retain its current institutional customers or obtain new contracts with existing or new customers, the Company's business, financial condition, results of operations and cash flows could be adversely affected.

2.1.4 Petrol Supply and Prices

Saudi Aramco is the sole supplier of petrol (fuel) in Saudi Arabia. As a result, any delay or interruption in or change to the terms of the ongoing contracts relating to the supply of petrol upon renewal such as increasing purchase price, reducing the quantity supplied or any change to the credit terms and conditions may adversely affect the Company's business, results of operations and cash flows.

Similarly, any adverse change in the structure of fuel prices set by the Government may also adversely affect the Company's petroleum and transport businesses, results of operations and cash flows.

In particular, in relation to the transport division and in the current environment of high oil prices, if the Company is unable to recover the increases in oil prices through an increase in its prices or cost saving measures, its financial results could be adversely affected.

2.1.5 Jeddah Transport Depot

The transport division operates from full service workshops in Jeddah and Riyadh and a limited service bay in Dammam. The workshops in Jeddah are held by the Company on a short-term lease, which is continually renewed. However, there can be no assurance that the lease would be renewed in the future and the failure to obtain such a renewal would cause significant disruption to the business of the transport division.

2.1.6 Insurance Coverage

Aldrees is covered by general liability, commercial vehicle, fire risk and crime policies in respect of the petrol division and motor, land transit, third party liabilities, fire risk and crime policies in respect of the transport division. However, such policies contain a number of key exclusions in relation to political risks (such as war and acts of terror) and environmental hazard risks such as contamination and spillages. Losses or liabilities arising from such uninsured events may significantly reduce the revenues of the Company or increase its costs and have a material adverse effect on its operations and financial condition.

2.1.7 Dependence on Key Personnel

The performance of Aldrees is dependent upon the abilities and experience of its executive officers and other key personnel. Aldrees has been implementing strategies to reduce the risk of the loss of such key personnel and to minimize the impact of any such loss. Aldrees has also been traditionally capable of finding qualified, skilled and professional replacements for key personnel leaving the Company. Nevertheless, there can be no assurance that the Company will be able to retain the services of its existing key personnel or to attract and

RISK FACTORS

retain additional qualified personnel as and when needed. Aldrees' sales, business, financial condition and results of operations could be materially and adversely affected if the Company is unsuccessful in either retaining key personnel or replacing them with equally qualified personnel.

2.1.8 Dependence on Key Software

The efficient management of the Company is dependent on key ERP software which integrates the various operations of the Company and facilitates workflow across all departments. Any fault, breakdown or dispute as to the ownership rights in such software could adversely affect the management and operations of the Company.

2.1.9 Saudization Requirements

As the Company employs more than 20 personnel, pursuant to a circular issued by the Minister of Labor on 1 Jumada Althani 1423H (corresponding to 10 August 2002G), it is required to ensure that 30% of its workforce comprise Saudi nationals. However, due to the nature of the Company's business, it has found it difficult to recruit Saudi nationals to its workforce and does not meet Saudization requirements. It has explained its predicament to the Ministry of Labor who have continued to issue labor visas for non-Saudi nationals employed by the Company. However, there is no guarantee that the Ministry of Labor will continue to tolerate the inability of the Company to meet its Saudization requirements. In addition, the Ministry of Labor may decide to impose more stringent Saudization policies on Saudi entities in the future. Sanctions for non-compliance of Saudization requirements include the suspension of applications for the issue of labor visas or transfer or sponsorship for non-Saudi employees or the exclusion of a violator from bidding for Government tenders and from applying for Government loans or other Government incentives. As such, the operations of the Company, its ability to meet its commitments, win Government tenders and apply for Government loans and its financial performance may be adversely affected by the cessation of such toleration of non-compliance by the Company or the introduction of more stringent Saudization policies by the Ministry of Labor.

2.1.10 Gas Station Leases

The Company occupies the gas stations pursuant to lease agreements the terms of which in most cases are between 5 and 10 years. In addition, the success of the expansion plans of the Company in relation to the gas station network depends on the ability of the Company to secure acceptable lease agreements in respect of suitable locations. The failure to secure the renewal of lease terms on their expiry in respect of existing gas stations or to obtain acceptable lease agreements in respect of new gas stations may adversely affect the operations and financial performance of the Company.

2.2 Risks Relating to the Market

2.2.1 Competition

There can be no assurance that Aldrees will be able to compete effectively against current and/or future competitors, and changes in the competitive environment may result in reduced sales or loss of market share, any of which could materially and adversely affect the Company's results of operations.

2.2.2 Service Differentiation

Aldrees' ability to compete against other companies is, to a certain extent, dependent on its ability to distinguish its services from those of competitors by providing high standards

RISK FACTORS

services at reasonable prices that appeal to consumers' preferences. Aldrees cannot make any assurances that current or potential competitors will not provide services comparable or superior to those provided by Aldrees.

2.2.3 Market Consolidation

It is also possible that there will be significant consolidation in the petrol and transport services industry; alliances may develop among competitors and these alliances may rapidly acquire significant market share. In addition, concentration within the sector or other possible moves by major services providers could improve their competitive strengths and market share vis-à-vis the Company.

2.3 Risks Related to Ordinary Shares

2.3.1 Absence of a Prior Market for the Shares

Currently, there is no public market for the Company's Shares, and there can be no assurance that an active trading market for the Company's Shares will develop or be sustained after this Offering. If an active trading market is not developed or maintained, the trading liquidity or price of the Shares could be adversely affected.

In addition, the Offer Price has been determined based upon several factors, including the history of and prospects for the Company's business and the industry in which it competes and an assessment of the Company's management, operations and financial results. Various factors, including the Company's financial results, general conditions in the industry, health of the overall economy or other factors beyond the Company's control could cause significant fluctuations in the price and liquidity of the Company's Shares.

2.3.2 Dividends

Future dividends will depend on, amongst other things, the future profit, financial position, capital requirements, distributable reserves and available credit of the Company and general economic conditions and other factors that the Directors of the Company deem significant from time to time.

2.3.3 Effective Control by the Selling Shareholders

Following this Offering, the Selling Shareholders will collectively own 70% of the Company's issued Shares. Therefore, the Selling Shareholders acting together will be able to influence all matters requiring Shareholder approval, including the appointment and removal of Directors, and they may exercise this ability in a manner that could have a significant effect on the Company's business, financial condition and results of operations.

2.3.4 Future Sales and Offerings

Sales of substantial amounts of the Shares in the public market following the completion of the Offering, or the perception that these sales will occur, could adversely affect the market price of the Shares.

Upon the successful completion of the Offering, the Selling Shareholders may not dispose of any Shares during the period of 6 months from the date on which trading on the Offer Shares commences on the Exchange. Moreover, the Company does not currently intend to issue additional shares immediately following the Offering. Nevertheless, the issuance by the Company or sale by any of the Selling Shareholders following the share-restriction period of a substantial number of Shares could have an adverse effect on the market for the Shares and result in a lower market price of the Shares.

3. The Company

3.1 Introduction

Aldrees Petroleum and Transport Services Company (hereinafter referred to as “Aldrees”, “APTSCO” or the “Company”) was first formed as a Saudi limited partnership on 13 Rabi’ Al-Thani 1382H (corresponding to 12 September 1962G) in Riyadh, Saudi Arabia under Commercial Registration No. 1010002475 and operated under the name “Mohammad Saad Aldrees and Sons Company”.

On 15 Rabi’ Al-Thani 1423H (corresponding to 26 June 2002G), the Company amended its Article of Association and converted into a limited liability company. On 2 Dhul Qa’adah 1425H (corresponding to 14 December 2004G), the Company changed its name to Aldrees Petroleum and Transport Services Company. The Company was then converted from a limited liability company into a joint stock company in accordance with the Resolution of the Minister of Commerce and Industry’s No. 1707 dated 3 Dhul Qa’adah 1426H (corresponding to 5 December 2005G).

The share capital of the Company is SAR 200 million divided into 4 million fully paid ordinary shares with a par value of SAR 50 each. Following completion of the Offering and the conclusion of the Conversion General Assembly Meeting, an application will be submitted to the Minister of Commerce and Industry requesting the announcement of the Conversion of the Company. The Company will be considered duly converted into a joint stock company from the date of issuance of the Ministerial Resolution declaring its Conversion.

Prior to the Offering, Aldrees family members, who are listed below (the “Selling Shareholders”) owned the entire share capital of the Company. After the successful completion of the Offering, it is expected that, assuming full subscription, the Selling Shareholders will collectively own 70% of the share capital of the Company.

Exhibit 3-1: Aldrees Ownership Structure

Shareholder	Pre-Offering			Post-Offering		
	Shares	Percent	Capital (SAR)	Shares	Percent	Capital (SAR)
Hamad Mohammad Saad Aldrees	1,019,304	25.48%	50,965,200	713,513	17.84%	35,675,650
Abdulmohsen Mohammad Saad Aldrees	1,019,304	25.48%	50,965,200	713,513	17.84%	35,675,650
Abdulaziz Saad Mohamed Aldrees	70,956	1.77%	3,547,800	49,669	1.24%	2,483,450
Abdulilah Saad Mohamed Aldrees	70,956	1.77%	3,547,800	49,669	1.24%	2,483,450
Fahad Saad Mohamed Aldrees.....	86,728	2.17%	4,336,400	60,710	1.52%	3,035,500
Khalid Saad Mohamed Aldrees.....	86,728	2.17%	4,336,400	60,710	1.52%	3,035,500
Khalid Abdullah Mohamed Aldrees	153,792	3.84%	7,689,600	107,654	2.69%	5,382,700
Mazin Abdullah Mohamed Aldrees.....	153,792	3.84%	7,689,600	107,654	2.69%	5,382,700
Idrees Mohammad Saad Aldrees.....	106,600	2.67%	5,330,000	74,620	1.87%	3,731,000
Musaad Mohammad Saad Aldrees	106,600	2.67%	5,330,000	74,620	1.87%	3,731,000
Saud Mohammad Saad Aldrees	106,600	2.67%	5,330,000	74,620	1.87%	3,731,000
Adel Mohammad Saad Aldrees.....	106,600	2.67%	5,330,000	74,620	1.87%	3,731,000
Saad Mohammad Saad Aldrees	106,600	2.67%	5,330,000	74,620	1.87%	3,731,000
Badr Mohammad Saad Aldrees	106,600	2.67%	5,330,000	74,620	1.87%	3,731,000
Sharifah Mohammad Al Hamad	118,288	2.96%	5,914,400	82,802	2.07%	4,140,100
Badria Saad Mohamed Aldrees	35,496	0.89%	1,774,800	24,847	0.62%	1,242,350
Norah Saad Mohamed Aldrees	43,384	1.08%	2,169,200	30,369	0.76%	1,518,450
Souaad Saad Mohamed Aldrees	43,384	1.08%	2,169,200	30,369	0.76%	1,518,450
Asma'a Abdullah Mohamed Aldrees	76,896	1.92%	3,844,800	53,827	1.35%	2,691,350
Wafa'a Abdullah Mohamed Aldrees	76,896	1.92%	3,844,800	53,827	1.35%	2,691,350
Hessah Mohammad Saad Aldrees.....	83,732	2.09%	4,186,600	58,612	1.47%	2,930,600
Shiekhah Mohammad Saad Aldrees.....	83,732	2.09%	4,186,600	58,612	1.47%	2,930,600
Norah Mohammad Saad Aldrees	83,732	2.09%	4,186,600	58,612	1.47%	2,930,600
Johara Mohammad Saad Aldrees.....	53,300	1.33%	2,665,000	37,311	0.93%	1,865,550
Total Aldrees Family Members.....	4,000,000	100.00%	200,000,000	2,800,000	70.00%	140,000,000
Public	-	-	-	1,200,000	30.00%	60,000,000
Total.....	4,000,000	100.00%	200,000,000	4,000,000	100.00%	200,000,000

Source: Aldrees

3.2 Products and Services

The Company manages and operates three main divisions: petroleum services, transport services and Super 2 Division. The petroleum services division is primarily engaged in the wholesale and retail trading of fuel, oil and lubricants. The transport services division is engaged in the transportation of goods and operates vehicle workshops, providing the full maintenance requirements for its own fleet. The Super 2 Division - a new addition to the Company - owns and operates coffee, cake and pastry stores and high-end car wash centers located within the Company's gas station network. For more information see "Future Prospects" section.

Currently, the Company does not have any plans to undertake any material change to the nature of its business.

3.2.1 Petroleum Services

Aldrees first started by selling oil products stored in barrels, loaded in trucks and retailed to customers. Back in 1963, the Company rented its first gas station at Al-Rail Street in Riyadh and subsequently built its first owned and operated gas station in 1965.

During the past forty-five years of continuous efforts, the Company has expanded its petroleum operations in the Kingdom, winning contracts from both Government agencies and private companies. Today, the Company owns and operates service stations strategically located Kingdom-wide to serve its network of clients.

In 2001, the Company introduced the "Petrol" brand name to its network of gas stations. The "Petrol" brand is pending registration with the Ministry of Commerce and Industry ("MoCI") as an intellectual property of the Company. Management believes that the product branding of

the gas stations helped in enhancing the image of Aldrees and establishing a distinguished character among other competitors.

As of 30 June 2005, the number of retail outlets operated by the Company throughout the Kingdom totalled 119, which are predominantly leased. The Company's petrol stations have grown at an average rate of 33% per annum from 1999 levels.

	30 June 2005	2004	2003	2002	2001	2000	1999
Stations outlets							
Owned	4	4	4	4	4	4	4
Leased	115	104	71	51	33	24	22
Total	119	108	75	55	37	28	26
Growth rate	10%	44%	36%	49%	32%	8%	-

Source: Aldrees

Generally, target clients can be categorized as institutional (i.e., Government agencies, private companies) and retail customers (i.e., public vehicle drivers). The Company's gas stations issue and accept prepaid fuel coupons in addition to cash and payment through Saudi Payment Network.

Over the last two decades, the Company has serviced a number of Government and private sector contracts. Contracts with Government agencies represent the majority of credit accounts while retail customers represent almost all cash sales.

Revenue from the petroleum divisions increased by 25% in 2004 and 37% in 2003, driven by substantial growth in cash sales. Cash sales grew by 50% and 54% during 2003 and 2004 respectively, while credit sales grew by 15% per annum.

	2004	%	2003	%	2002	%
Cash ¹	301,037	55.1%	195,456	45.0%	130,195	41.1%
Credit	244,827	44.9%	239,007	55.0%	186,625	58.9%
Total	545,864	100.0%	434,463	100.0%	316,820	100.0%

Source: Aldrees

Petroleum services contracts require the Company to deliver fuel at the clients' site or re-fueling clients' vehicles at any of the Company's gas stations. Such contracts are usually offered to operators of gas stations through open tenders with tenors ranging from 1 year to 3 years, renewable for similar periods in subsequent open tenders and provide for the provision of performance bonds and bank guarantees as security for the performance of the obligations of the Company. The Company's key contracts with public and private sector clients are listed below:

¹ Cash sales include rental income of SAR 3.6m, SAR 6.3m and SAR 9.4m for 2002, 2003 and 2004, respectively.

Exhibit 3-4: Petroleum Services Clients

Government Agencies	Private Institutional Clients
Ministry of Defense and Aviation	Saudi Telecom Company
General Security Forces in Riyadh Area	Saudi Public Transport Company (SAPTCO)
General Security Forces in Hail Area	Saudi Electricity Company, Central Region
General Security Forces in Najran Area	Manwa Company
National Guard in Ar'ar, Hail, Najran and Qassim	Arabian Food Supplies Company Limited
King Khalid Military City	Afras Services Company Limited
Saudi Air Force	SMSA Express Company Limited (FEDEX)
General Veterans Department in Najran	GEC Plessey Telecommunications SPM Limited
Ministry of Education Jeddah	
Ministry of Information Jeddah	
Ministry of Finance	
King Faisal College	
King Abdulaziz College in Oyay'na	
Riyadh and Al-Kharj Hospital Program	

Source: Aldrees

3.2.2 Transport Services

For the past several years, the Company has focused on transport service contracts with major players in the market. Such contracts are for long-haul transportation of goods and products covering the Kingdom's major routes and extending throughout the neighboring countries including UAE, Bahrain, Kuwait, Jordan, Syria, Lebanon, Yemen and Iraq. The Company maintains an office at the Saudi Arabian border with Jordan and has appointed custom clearing agents at all border-crossing sites. Also, the Company's representatives are available in both Jordan and Syria to take care of the Company's operations and custom clearing and procedures.

The Company uses various types of vehicles for hauling goods and products. Hauling vehicles include tractors, trailers, tankers, grain hoppers, flatbeds, curtain sides and dumpers. These different types of vehicles (Volvo and Mercedes) are capable of hauling various goods and products such as fuel, chemicals, base oil, and barely.

As of 30 June 2005, the Company operated 539 tractor heads², 894 trailers. The trailers are used to load various solid materials packed in bags or pallets and loose general cargoes (e.g., steel, plastic, and other products). While tankers are used to load liquid and dry (powder) materials for delivery to different destinations. Following is a breakdown of the number of tractors and trailers owned by the Company. The total number of tractors and trailers increased by 50% in 2004 from 2001 levels.

² Tractor heads are trucks, which do not have a fixed trailer and are used to hook-up trailers and tankers loaded with goods and materials.

Exhibit 3-5: Number of Tractors Heads and Trailer Equipment

	30 June 2005	2004	2003	2002	2001
Tractor heads:					
Beginning of the year	585	448	406	372	318
Additions	-	145	52	41	54
Retirements ³	46	8	10	7	-
Balance	539	585	448	406	372
Trailer equipment					
Beginning of the year	924	755	581	606	554
Additions	30	206	182	55	54
Retirements	60	37	8	80	2
Balance	894	924	755	581	606
Total	1,433	1,509	1,203	987	978

Source: Aldrees

Aldrees considers itself a leader in organized professional transport services in the Kingdom and provides hauling services to different leading multinational and local petrochemical, industrial and food companies with a focus on the following products:

- ▶ Chemicals
- ▶ Base oil
- ▶ Bulk sugar
- ▶ Barley
- ▶ Fuel and other products

Revenues generated by the Company's transportation services grew by an average rate of approximately 14% per annum and reached SAR 77 million in 2004.

The Company continues to diversify the range of goods it transports. Revenues generated from the transport of chemical products accounted for 42.31% of transport division revenues in 2001. This rate was down to 38.45% in 2004⁴.

Exhibit 3-6: Transport Services Revenue by Product (SAR '000)

	2004	%	2003	%	2002	%	2001	%
Chemicals - SABIC	26,630	35%	25,591	37%	23,495	41%	16,177	31%
Chemicals - Other	2,861	4%	2,045	3%	2,745	5%	5,955	11%
Base oil	8,707	11%	7,231	11%	7,805	13%	7,979	15%
Bulk sugar	1,833	2%	1,227	2%	1,553	3%	1,795	4%
Barley grain	17,721	23%	20,084	29%	17,642	30%	14,020	27%
Fuel and other products	18,932	25%	12,302	18%	4,826	8%	6,378	12%
Total	76,684	100%	68,480	100%	58,066	100%	52,304	100%

Source: Aldrees

Chemical Products

Aldrees provides extensive hauling services transporting various petrochemical and chemical products. The Company has fully equipped steel and aluminum tankers that meet the quality and safety standards of the clients for the transport of such products.

The Company's main client in this segment is Saudi Arabian Basic Industries Corporation ("SABIC"), as it generated one third of transport turnover for the year 2004.

³ The Company disposed of 46 tractor heads during 2005, models of which rang from 1981 to 1988. The disposal was driven by economic life expiry, full depreciation, and high maintenance cost. This disposal had no significant influence on Company's operational capacity as 145 tractor heads were added during 2004.

⁴ This ratio includes the following: 1) Chemicals – SABIC; and 2) Chemicals - Other

Chemicals and acids transported by Aldrees for SABIC include the following:

Exhibit 3-7: Chemicals and Acids Transported by Aldrees for SABIC

Chemical Name	Use
Poly Vinyl Chloride	Used in textile, carpet manufacture, weaving, knitting, resins used to make bottles, trays, packaging, melamine adhesives, laminates, surface coatings and molding compounds.
Caustic Soda (NAOH)	Used in acid neutralization, bleaching in papermaking, cotton processing, petroleum refining, production of alumina from bauxite, manufacturing synthetic fabrics such as rayon, production of soaps, detergents and manufacturing of food products.
Monoethylene Glycol (MEG)	It is mainly used in the production of Polyester, Polyethylene Erphthalate (PET) and antifreeze solutions. It is an important dehydrating agent, good humectants and an industrial solvent.
Diethylene Glycol (DEG)	It is utilized in the manufacture of unsaturated polyesters, plasticizer and some important resins. It is used as a dyeing agent of gases, also an effective softening agent as it makes glues and adhesives more flexible, and is an important component in formulations of brake fluids pastes and pigments.
Tri-Ethylene Glycol (TEG)	It is useful in the dehydration of gases, manufacture of insecticides and in the synthesis of some organic derivatives. Pure TEG is useful in the production of plasticizers for cellophane, glue, cork, powdered ceramics, and some plastics.
Methanol (MEOH)	Formaldehyde production is the largest market for methanol. It is also used to produce acetic, fuels, solvents and methyl derivatives.
Dioctyl Phthalate	Is used mainly as plasticizer of resin and estramer, and is also used for vacuum pumps.
Styrene Monomer (SM)	Is commonly used in the production of valuable styrene homopolymers and copolymers, which are either solid (SPS) or expendable (EPS). Some SPS grades are used in the production of disposable transparent containers and EPS grades are useful for the fabrication of block for thermal insulation and boxes for vegetables and fruits.

Source: Aldrees

Aldrees mainly transports Poly Vinyl Chloride ("PVC") powder and pellets as well as Dioctyl Phthalate ("DOP") and other chemicals directly from SABIC's plants to the manufacturing sites of buyers, where these components are primarily used to produce plastics.

Exhibit 3-8: Breakdown of Transport Revenues from SABIC (SAR '000)

	2004	%	2003	%	2002	%	2001	%
PVC powder	10,441	39%	8,459	33%	8,349	35%	7,112	44%
PVC pellets (flat beds)	7,986	30%	8,821	34%	6,987	30%	2,467	15%
DOP	2,918	11%	3,316	13%	3,673	16%	3,179	20%
Other chemicals	5,285	20%	4,995	20%	4,486	19%	3,419	21%
Total	26,630	100%	25,591	100%	23,495	100%	16,177	100%

Source: Aldrees

THE COMPANY

In addition to SABIC, other major clients of the Company in the chemical segment include:

- ▶ The Saudi Company of Chemical Trading Ltd. (Chemtrade) – Affiliate of Ali Reza Group
- ▶ National Lead Smelting Co. Ltd. (Rassas)
- ▶ Adwan Chemical Industries Co. Ltd. (ACIC)
- ▶ Basic Chemicals Industries Ltd.
- ▶ Arabian Sulfonates Co. Ltd.
- ▶ Saudi Arabian Fertilizer Company (Safco)

Exhibit 3-9: Revenue from Chemical Hauling for Other Customers (SAR '000)								
	2004	%	2003	%	2002	%	2001	%
Chemtrade	1,951	68%	1,279	63%	1,474	54%	1,789	30%
Rassas	466	17%	227	11%	479	17%	285	5%
Adwan Chemicals Ind. Company	111	4%	149	7%	64	2%	69	1%
Basic Chemical Industry	122	4%	194	9%	51	2%	228	4%
Arabian Sulfonate Company	34	1%	42	2%	51	2%	61	1%
Safco - Sulfuric Acid	177	6%	154	8%	626	23%	3,523	59%
Total	2,861	100%	2,045	100%	2,745	100%	5,955	100%

Source: Aldrees

Base Oil Products

Base oil is used as the main raw material for producing engine oil and lubricants. The Company's main clients include Saudi Arabian Lubricating Oil Company ("Petrolube"), Al-Jomaih and Shell Lubricating Oil Company Ltd. ("JOSLOC"), Saudi Aramco Lubrication Oil Refining Company ("Luberef"), Alhamrani-Fuchs Petroleum Company Limited and Safra Company Ltd.

Exhibit 3-10: Revenue from Base Oil Hauling by Customer (SAR '000)								
	2004	%	2003	%	2002	%	2001	%
Petrolube	4,634	53%	3,900	54%	4,327	56%	3,686	46%
JOSLOC	2,227	26%	2,470	34%	2,512	32%	2,033	25%
Luberef	1,464	17%	566	8%	802	10%	2,144	27%
Alhamrani Fuchs	253	3%	165	2%	71	1%	50	1%
Safra Co. Ltd.	129	1%	130	2%	93	1%	66	1%
Total	8,707	100%	7,231	100%	7,805	100%	7,979	100%

Source: Aldrees

Base oil hauling contributes on average 11.35% to transport division revenues. Slight decline in hauling activities was experienced in 2003. Base oil transport revenue increased by 20.41% in 2004 due to the commissioning of a 3-year contract with Luberef and the increase in transport volume of Petrolube.

Bulk Sugar Products

Aldrees provides bulk sugar transportation solely for United Sugar Company ("USC"), which is based in Jeddah. Refined sugar is transported through aluminum tankers to several food manufacturing companies and various customers in Riyadh and Jeddah. This segment contributes around 2% to transport division revenues.

Exhibit 3-11: Bulk Sugar Hauling Revenue (SAR '000)				
	2004	2003	2002	2001
United Sugar Company	1,833	1,227	1,553	1,795

Source: Aldrees

Barley

Barley hauling is considered the highest revenue generating operation for Aldrees in terms of commodities and ranks second to chemical products. Barley grain imported from Europe and Australia is used for livestock feed, malt and cereal production. The Company's main clients include United Feed Company of Alesayi Group and Al-Namlah Company Limited.

Government provides for SAR 250 per metric ton as subsidies to barely sector in order to compensate farmers against the stabilized selling price at SAR 22 per sack weighing K.G 50. The 12% decline in 2004 barley transport revenue was due to the slowing of import activity of Al Namlah Co. Ltd., a major customer of the Company.

Exhibit 3-12: Revenue from Barley Grain Hauling by Customer (SAR '000)

Customer	2004	%	2003	%	2002	%	2001	%
United Feed Company	10,689	60%	10,132	51%	8,217	47%	6,458	46%
Al Namlah Company Ltd.	7,032	40%	9,693	48%	7,103	40%	4,560	33%
Others	-	0%	259	1%	2,322	13%	3,002	21%
Total	17,721	100%	20,084	100%	17,642	100%	14,020	100%

Source: Aldrees

Fuel and Other Transportation Services

Local fuel distribution is another service Aldrees provides and relates to the transport of petroleum products from Saudi Aramco refineries to Government fuel stations and to the Company's gas stations. Fuel distribution tankers are required to be built under standards specified by Saudi Aramco. The Company anticipates the fuel distribution segment to provide high revenue growth potential in the coming few years.

Other transportation services relate to the transport of general cargo products (such as steel and plastic) in flatbeds, curtain sides and low beds. The Company serves clients in the GCC countries, Jordan, Syria, Lebanon and Yemen.

Exhibit 3-13: Revenue from Fuel and Other Transportation Services (SAR '000)

	2004	%	2003	%	2002	%	2001	%
Fuel	1,217	6%	2,125	17%	2,566	53%	3,655	57%
Flat bed and Curtain Sides	1,854	10%	1,005	8%	1,444	30%	2,161	34%
Trucks and Trailer Rental	14,315	76%	7,544	61%	72	1%	62	1%
Express Courier	-	-	1,334	11%	267	6%	-	-
Others	1,546	8%	294	3%	477	10%	500	8%
Total	18,932	100%	12,302	100%	4,826	100%	6,378	100%

Source: Aldrees

3.3 Corporate Reorganization

Prior to 31 December 2004, Aldrees operated, in addition to the petrol and transport services, six other divisions, which do not form part of this Offering:

- ▶ Saudi American Glass factory
- ▶ Tools and Equipment
- ▶ Aldrees International Contracting Supply
- ▶ Agriculture and Irrigation
- ▶ Metals
- ▶ Car Rental

During 2005, APTSCO finalized legal procedures for the transfer of its operations, assets and liabilities of the above divisions at their net book values as of 1 January 2004. The Company signed a sale and purchase of assets agreement with Mohammad Saad Aldrees' Sons Co. Holdings to this effect on 5 July 2005.

THE COMPANY

Mohammad Saad Aldrees' Sons Co. Holdings is a Saudi limited liability company with commercial registration No. 1010203509 dated 21 Shawwal 1425H (corresponding to 4 December 2004G) and is wholly owned by the Selling Shareholders. As a result of such transfer, APTSCO recognized dues from Mohammad Saad Aldrees' Sons Co. Holdings of approximately SAR 39 million carried on its balance sheet as of 31 December 2004. This amount is comprised of SAR 324.8 million in total assets and SAR 285.8 million in total liabilities transferred from the Company to Mohammad Saad Aldrees' Sons Co. Holdings.

The Company declared an interim dividend of SAR 19.4 million for the period ended 30 June 2005 to its current shareholders. Mohammad Saad Aldrees' Sons Co. Holdings settled SAR 19.4 million of the dues to the Company against the interim dividends and no exchange of cash occurred.

Mohammad Saad Aldrees' Sons Co. Holdings has agreed as per the commitment letter dated 1 October 2005 to settle the balance of dues to the Company of SAR 19.6 million by 30 March 2006 out of its earnings for the period ending 31 December 2005. In case Mohammad Saad Aldrees' Sons Co. Holdings fails to generate income sufficient to pay these dues, the shareholders of the Company will pay the amount no later than 30 March 2006.

3.4 Affiliates and Subsidiaries

Affiliates of the Company include the following Saudi limited liability companies:

Exhibit 3-14: Aldrees' Affiliates

Company	Business Description	Nature of Affiliation
1. Mohammad Saad Aldrees' and Sons Company Limited	Car rental operations; trading in tools and equipment, contractors supply and metal door factory; agriculture operations and trading in scrap metals	Same Shareholders
2. Mohammad Saad Aldrees' Sons' Company Limited	Investment company, which owns 49% of Mohammad Saad Aldrees and Sons Company Limited (listed in 1 above)	Same Shareholders
3. Mohammad Saad Aldrees' Sons Co. Holdings	Investment company, which owns 51% of Mohammad Saad Aldrees and Sons Company Limited (listed in 1 above)	Same Shareholders
4. Saudi American Glass Company Limited	Processing of glass products for industrial and residential applications such as exterior glass for high-rise buildings	Same Shareholders

Source: Aldrees

Aldrees Petroleum Services and Transport Company Limited (Sudan) is the only subsidiary of the Company. Aldrees Petroleum Services and Transport Company Limited (Sudan) currently under formation and will be 100% owned by the Company. The Sudan affiliate will be engaged in transport operations mainly for the Sudanese government clients in the hauling of fuel products and other commodities for government principals.

The Directors declare that there are no outstanding agreements between Aldrees and the affiliated companies listed above, except for the Sale and Purchase Agreement signed with Mohammad Saad Aldrees' Sons Co. Holdings. Furthermore, the Directors declare that there is no mutual use of assets between Aldrees and these companies.

3.5 Key Strengths

Aldrees is one of the major players in the petroleum and transport sectors in Saudi Arabia. The Management considers the following as key strengths to the Company:

Experienced Management

The management of the Company is very well experienced in the petroleum and transport industries. Most of the management team members have been with the Company for more than 15 years contributing to its success.

Human Resources Development and Incentives

Aldrees, through its human resources department, has designed and developed ongoing comprehensive training programs. The ongoing programs cover orientation for new employees where they are familiarized with the Company's policies and procedures. In addition, ongoing training programs update employees with the latest development in policies and procedures. The human resources department provides personalized training and development courses as per each employee's needs. The Company also adopts a performance related profit-sharing scheme, which further promotes employees' loyalty

Integrated Enterprise Resource Planning Software

As part of its efforts to maximize the efficiency of its operations, the Company has developed an in-house Enterprise Resource Planning ("ERP") software with strong inherent internal controls. The software integrates the various operations of the Company and facilitates the workflow across all departments.

In addition to the above, the following competitive advantages pertain to the Company's petroleum and transport divisions:

3.5.1 Petroleum Division

Internal Quality Control Procedures

These procedures aim at providing daily monitoring of the quality of petroleum products dispensed in the gas stations thus ensuring quality services and products to customers.

Enhancement of Station Image

Aldrees is continuously improving its facilities and premises of gas stations network, with the ultimate objective of creating a uniform and distinguished image that is categorised by professionalism and quality.

Standardized Systems and Procedures

Continuing training of gas pump attendants to create better services to the customer in addition to standardized systems and procedures are all factors that ensure a uniform level of customer service that further enhances customer loyalty.

Established and Expanding Station Network

Aldrees' current existing station network in addition to the ongoing expansion of market reach by adding new gas stations in prime locations, has led the Company to enhance its geographical distribution and thus servicing a much larger number of customers. Furthermore, the established station network has enabled Aldrees stations to become more accessible, giving the Company a strong competitive advantage and economies of scale against its smaller or less established competitors.

Fuel Delivery Fleet

Aldrees uses its own fuel delivery fleet, which ensures both quality and timely deliveries as opposed to relying on contractors for fuel transportation.

Availability of Other Services in the Station

Other complementary services are made available in the stations such as convenience stores, tire and oil changing although not necessarily owned by APTSCO. Furthermore, the introduction of the Super 2 Division is expected to enhance the array of products for gas station customers.

3.5.2 Transport Division

Efficient and Reliable Service

The Company delivers hauling orders within the delivery date and time requested by customers, thus increasing customer satisfaction and loyalty.

Computerized Operations

Aldrees is able to track and monitor all aspects of the operations through various software applications and ERP solutions. System reports available include delivery order, transport management system, workshop management, tire management and revenue and cost summary by Truck.

Long-Term Contracts

Aldrees aims to secure long-term renewable contracts of over 12 months. This provides Aldrees with specific industry insight to the special requirements of its customers and further strengthens the close relationship developed with its customers over time. Aldrees believes that its track record in winning major-contracts of such nature and tenor has become an entry barrier to competitors, further enhancing its competitive position within the industry.

In-house Maintenance of the Fleet

The Management believes that the Company's in-house maintenance program enables it to provide appropriate preventive maintenance and enhances the image, durability, productivity and efficiency of the fleet. This enables the Company to further maximise the profitability and efficiency of its transport operations.

3.6 Future Prospects

3.6.1 Expansion in Current Operations

The Company plans to expand its current petroleum services by increasing the number of gas stations. As for transportation services, the Company continues to take on additional orders as it recently received a letter of request from SABIC to provide an additional 15 stainless steel containers for chemicals hauling.

The expansion plans of the Company in the petroleum services sector include acquiring competing operators following the completion of the Offering. In addition, Aldrees will continue to add and operate more stations through rental contracts with owners of individual petrol stations. The Company will improve such rented stations in line with Aldrees' stations network. The Management believes that its acquisition plan will increase its market share, sales and profitability.

In addition, Aldrees intends to expand transportation operations into Sudan, where the Company will acquire 100 tractor heads, which will be used for providing hauling services in Sudan in the area of fuel distribution and hauling of goods loaded on flatbeds. Aldrees intends to finance the acquisition of these trucks through Sharia-compliant debt financing. The Company is contemplating setting up its own office and management team in Sudan, which will provide full logistical support to the fleet including drivers and maintenance personnel. Actual transport services operation in Sudan is anticipated to commence in the fourth quarter of 2005.

3.6.2 Super 2 Division

During June 2005, the Company introduced Super 2 Division, which is comprised of Super Café and Super Wash. The Management expects the coffee, cake and pastry business in addition to the high-end car wash services to enhance earnings generated from the Company's network of gas stations. The following table illustrates the Company's scheduled rollout of Super Café and Super Wash outlets for the period from 2005 to 2009:

Exhibit 3-15: Super 2 Division Rollout (2005 - 2009)						
Outlets	2005	2006	2007	2008	2009	Total
Super Café	3	6	6	7	8	30
Super Wash	3	6	6	7	8	30

Source: Aldrees

Super Café

Super café is being proposed as a new profit center, which is intended to capitalize on the earning potential of the Company's gas station network. These stores will be known as speciality stores that only sell coffee, cakes and pastries.

Aldrees petrol stations within Riyadh will be the initial sites for these stores with an objective of setting-up 30 stores by the end of 2009. The first Super Café outlet is already under construction within the premises of the gas station located in Khurais.

Management believes that the Company has the resources to establish the infrastructure required and utilize the expertise available to support this business. This will help the coffee shops generate higher margins with lower capital expenditure requirements when compared with other gas station businesses. The anticipated capital expenditure for the rollout of Super Café outlets up to 2009 is SAR 8,940,500.

Super Wash

This division of the Company will offer high-end car wash services. The Management expects this service to increase net profit by taking over all car wash services that are currently leased out. Car wash services are currently available in 49 Aldrees stations out of which 44 are leased. The new division expects to offer services initially in Riyadh and eventually in other cities as Aldrees business operations grow. Aldrees car wash services are scheduled to be available in 30 APTSCO stations by the end of 2009.

The Company anticipates positive returns from the growth of this new division, which further complements, and supports the business of Aldrees. The car wash services and coffee shops are complimentary to each other and will further maximize the profitability of the gas stations. Management intends that the car wash service will tap one of the under utilized areas of the business increasing the earning potential of the Company's gas station network going forward. The anticipated capital expenditure for the rollout of Super Wash outlets up to 2009 is SAR 2,620,856.

3.7 Vision and Mission Statements

Vision

To be the most admired and efficiently run petroleum retailing and commodity hauling company in the Kingdom of Saudi Arabia.

Mission

To render value-added services to customers through well-trained and developed competencies and to implement global best practices in operational processes and generate above average returns to shareholders

4. Market Overview

4.1 Petroleum Services

As one of the leading producers of oil, Saudi Arabia enjoys an abundant and stable supply of refined oil products. Local consumption of refined oil products is satisfied entirely through domestic production. Products consumed locally include the following:

Exhibit 4-1: Main Uses of Common Oil Products

Product	Uses
LPG*	Cooking fuel
Gasoline	Spark engine vehicles
Kerosene and jet fuel	Planes and helicopters
Diesel	Ships, trains, trucks and power generators
Lubricating oil	Lubricants
Paraffin	Wax, candles and matches
Fuel oil	Power plants, cement factories, plants and steel mills
Asphalt	Roads and water proofing
Natural gas	Power generation, seawater desalination, petrochemical feedstock

* LPG: Liquefied Petroleum Gas
Source: Aldrees

Gasoline and diesel are the main products sold by Aldrees gas stations and combined they accounted for over 62% of domestic consumption of refined oil products in 2003.⁵ Currently, unleaded 95-octane gasoline is the only type of gasoline offered in the market by Saudi Aramco and retails at 90 Halalah per liter.

Pursuant to Council of Ministers Resolution No. 103 dated 23 Rabi' Al-Thani 1424H (corresponding to 24 June 2003G), an additional type of gasoline will be introduced on 1 January 2007. The new gasoline will be unleaded with a 91-octane rating and will retail at 82 Halalah per liter. The price of the current 95-octane gasoline will increase to SAR 1.02 per liter.

As the following table illustrates, demand for gasoline has increased by an average of 3.5% per annum while demand for diesel increased by an average of 4.2% per annum during the period from 1999 to 2003. The current market size for petroleum services is estimated at 260 million barrels comprising of 100 million barrels for premium gasoline and 160 million barrels for diesel.⁶

⁵ Source: Ministry of Petroleum and Mineral Resources

⁶ Source: Aldrees

Exhibit 4-2: Domestic Consumption of Refined Product (Million Barrels)

	1999	2000	2001	2002	2003
LPG	11.70	11.91	12.20	13.09	13.33
Gasoline	84.35	86.85	89.82	93.51	96.96
Jet fuel and kerosene	19.32	20.26	19.63	19.65	21.48
Diesel	130.35	136.48	146.15	146.75	153.32
Fuel oil	60.65	62.36	64.87	77.98	94.50
Asphalt	6.72	7.89	9.07	10.74	12.29
Lubricating oil	2.08	2.12	1.48	1.83	1.81
Other Products	2.27	1.88	1.97	4.62	5.98
Total	317.44	329.75	345.20	368.16	399.67

Source: Ministry of Petroleum and Mineral Resources

Generally, the number of vehicles operating in the Kingdom primarily drives the demand for gasoline and diesel. According to the Central Department of Statistics, Saudi Arabia imported approximately 2 million automobiles during the period 1992-2002, of which 75% were passenger cars and 4x4 vehicles mainly using gasoline as fuel. Buses and trucks, which normally use diesel as engine fuel, accounted for 24% of automobiles imported during the same period.

Exhibit 4-3: Imports of Automobiles (1992 - 2002)

Year	Passenger & 4x4	Trucks	Buses	Other	Total
2002	218,413	68,142	9,818	2,484	298,857
2001	241,245	68,978	10,747	2,332	323,302
2000	158,343	46,117	5,168	1,003	210,631
1999	160,273	32,526	2,423	5,544	200,766
1998	114,242	36,628	3,143	729	154,742
1997	76,259	20,631	1,114	574	98,578
1996	71,836	18,005	709	559	91,109
1995	75,710	17,896	2,758	986	97,350
1994	109,126	30,450	4,206	644	144,426
1993	114,884	37,197	2,953	867	155,901
1992	157,692	64,916	4,099	1,047	227,754
Total	1,498,023	441,486	47,138	16,769	2,003,416

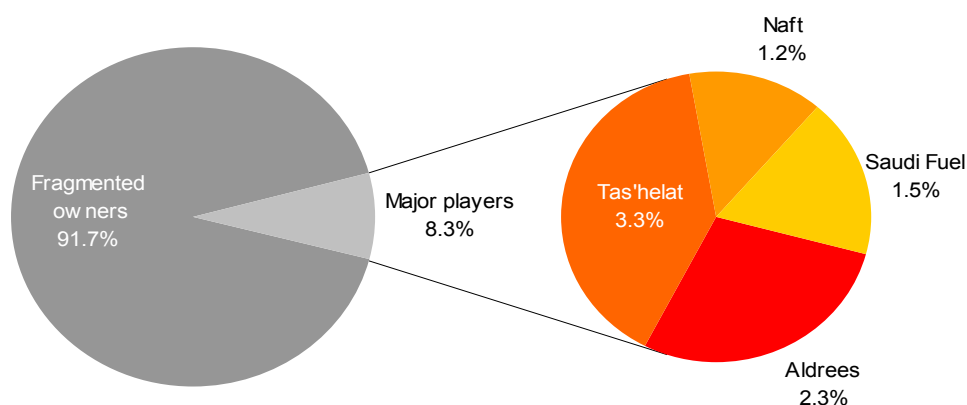
Source: Central Department of Statistics –Ministry of Planning

The petroleum services market is fragmented as more than 90% of service providers are single-station owners.⁷ Sales of gasoline and diesel generate thin profit margins as a result of the Government regulation of selling prices. Consequently, market players with a large number of gas stations are considered the major participants in the market and enjoy economies of scale – a competitive advantage over the smaller and less established service providers. The ability to sell large volumes in addition to licensing requirements for gas stations are considered the major barriers to entry.

The most recent data estimates the number of gas stations operating in Saudi Arabia at approximately 5,300⁷ of which the major market players own 436. Tas'helat and Aldrees own the largest number of stations across the Kingdom with a market share of 40% and 28%, respectively of the major players segment based on 436 station. Saudi Fuel and Naft follow with 18% and 14%, respectively of the same segment based on 436 stations.

⁷ Source: Aldrees

Exhibit 4-4: Gas Station Ownership Structure



Source: Aldrees

4.2 Transport Services

Transport services in the Kingdom entails, the hauling and delivery of goods locally and to neighboring countries such as Bahrain, Qatar, Kuwait, UAE, Oman, Jordan, Lebanon, Syria and Iraq. Transport services within the Kingdom, can be segmented into the following:

- ▶ Hauling of chemical products
- ▶ Hauling of base oils
- ▶ Hauling of sugar
- ▶ Hauling of barley
- ▶ Hauling of fuel and other products

4.2.1 Hauling of Chemical Products

Saudi Arabia is one of the major producers of petroleum by-products in the world. SABIC Marketing Limited is the main marketing arm for petroleum by-products produced by SABIC plants located in the Jubail and Yanbu industrial areas. The majority of its liquid and powder chemical products are generally transported in tankers, bulk silos and flatbed trailers by land which is the most common and readily available means of transportation within Saudi Arabia and to neighboring countries.

Furthermore, other various chemical products, which are mainly hauled from SABIC plants, are used in the manufacturing of several products such as textiles, carpets, plastic packaging materials, containers, bleaching agents, cleaning material, solvents and adhesives. Due to the diversity of chemical use, production volume of chemical products is anticipated to continually expand in the coming years. Chemical products are hauled in chemical tankers (i.e., stainless steel cylindrical tanks). Aldrees estimates its market share in this sector to be around 66%.⁸ The following is a summary of the main petroleum by-products and chemicals hauled throughout the Kingdom:

Poly Vinyl Chloride Powder and Pellets

Based on actual delivery orders performed by the Company and total production estimates from the market, total PVC powder hauled for 2004 totaled 200,000 tons, out of which 62% was handled by the Company and the residual 38% hauled by competitors, namely, Globe Marine, Mubarrad and Al Shamrany.

⁸ Source: Aldrees

Exhibit 4-5: Volume of PVC Powder in 2004

	Volume in Tons	% to Total
Aldrees	123,392	62%
Competitors ⁹	76,608	38%
Total volume	200,000	100%

Source: Aldrees

Total production of PVC pellets in 2004 was estimated at 1,300,000 tons, out of which 2.87% or 37,358 tons was hauled by Aldrees and the majority of 97.13% or 1,262,642 tons handled by competitors. The major competitors in the PVC pellets transportation business are Globe Marine, Mubarrad, Al Musallam, Al Majdouie, Al Theyab and Al Rajhi.

Exhibit 4-6: Volume of PVC Pellets in 2004

	Volume in Tons	% to Total
Inside Kingdom		
Aldrees	3,407	0.49%
Competitors ¹⁰	696,593	99.51%
Subtotal	700,000	100.00%
GCC Countries		
Aldrees	-	0.00%
Competitors ¹⁰	250,000	100.00%
Subtotal	250,000	100.00%
Middle East (Jordan, Syria, Lebanon, Yemen)		
Aldrees	33,951	9.70%
Competitors ¹⁰	316,049	90.30%
Subtotal	350,000	100.00%
Total		
Aldrees	37,358	2.87%
Competitors ¹⁰	1,262,642	97.13%
Total volume	1,300,000	100.00%

Source: Aldrees

The off-take of PVC pellets is from various manufacturing plants in Jubail and Yanbu and then delivered both within and outside Saudi Arabia. PVC pellets are on high demand as a raw material for plastic product manufacturing. The Management expects volume transported to further increase during the coming years.

Diocetyl Phthalate ("DOP")

DOP is the most widely used all-purpose plasticizer for the manufacture of flexible plastics, especially with PVC. Annual market volume of DOP in 2004 was 29,200 tons and was exclusively transported by the Company from SABIC manufacturing plants in Jubail industrial area and delivered as feedstock to users within Saudi Arabia and neighboring countries. The hauling of DOP has been handled by the Company since 1993 and has been regularly renewed ever since.

4.2.2 Hauling of Base Oil Products

Base oil is used as raw material for the production of engine oil and various lubricating products. The main manufacturer of base oil in Saudi Arabia is Luberef. Base oil is hauled from Luberef's Jeddah and Yanbu plants to various lubricating and refining companies in Saudi Arabia, in addition to deliveries to other neighboring countries. Breakdown of total

⁹ Competitors include Globe Marine, Mubarrad, and Al Shamrany.

¹⁰ Competitors include Globe Marine, Mubarrad, Al Musallam, Al Majdouie, Al Theyab and Al Rajhi.

volume of base oil products transported from Luberef in 2004 is presented in the following table:

Exhibit 4-7: Base Oil Volume in 2004

	Volume in Tons	% to Total
Aldrees	146,001	60%
Competitors ¹¹	96,249	40%
Total volume	242,250	100%

Source: Aldrees

The Company dominated the market segment for the hauling of base oil after it signed a 5-year contract with Petrolube on 25 December 2000, and the renewal of a 3-year contract with Al Jomaih Shell Lubricating Oil Company. Aldrees has serviced major customers since 1994 and henceforth, obtained the renewal of these contracts. Base oil is transported in mild steel tankers.

4.2.3 Hauling of Sugar

The Company is the sole transporter of bulk sugar from the Jeddah plant of USC to its customers in Jeddah and Riyadh. Bulk sugar is used by food and beverage manufacturers. On 1 January 2005, the Company renewed its 5-year contract with USC for another 5 years. Stainless steel bulker silos are used for the transportation of bulk sugar.

USC also supplies sugar in bags and Aldrees handles a portion of this segment. Breakdown of the hauling of sugar in bulk and bags including overseas deliveries is provided in the following table:

Exhibit 4-8: Volume of Sugar Hauling in 2004

	Volume in Tons	% to Total
Bulk sugar hauling		
Aldrees	53,981	100%
Competitors	-	-
Total bulk volume	53,981	100%
Sugar in bags hauling		
Aldrees	11,592	2%
Competitors ¹²	589,408	98%
Total bag volume	601,000	100%
Sugar in bag – exports		
Aldrees	-	-
Competitors ¹²	60,000	100%

Source: Aldrees

The export of sugar in bags are mainly handled by competitors and delivered to Jordan, Syria, Lebanon and Yemen.

4.2.4 Hauling of Barley

Saudi Arabia is a major importer of barley from major producers such as Australia and Europe. Barley is used for livestock feed, malt and cereal products. Barley imports are delivered to Saudi Arabia by ships via the different seaports located in Jeddah, Yanbu, Jizan, Dammam and Jubail. They are loaded on trailers called hoppers and are directly delivered to

¹¹ Competitors include Bin Daqem and Al-Hokool.

¹² Competitors include Al Majdouie, Al Musallam, Al-Sudis, Al-Saif, Al-Ayed, Al Shammari, Bakashab, and Al Habbas.

the end-user's silos or sites throughout the Kingdom. The breakdown of the total volume for 2004 is presented on the following table:

Exhibit 4-9: Volume of Barley Hauling in 2004		
	Volume in Tons	% to Total
Western Region Seaports		
Aldrees	2,730,040	71%
Competitors ¹³	1,115,960	29%
Total volume - Western	3,846,000	100%
Eastern Region Seaports		
Aldrees	83,711	4%
Competitors ¹³	2,070,289	96%
Total volume - Eastern	2,154,000	100%
Total		
Aldrees	2,813,751	47%
Competitors ¹³	3,186,249	53%
Total volume	6,000,000	100%

Source: Aldrees

The demand for barley is rapidly increasing in Saudi Arabia. The bulk of barley imports passed through the Western seaports, with the balance from the Eastern seaports. The company started the hauling of barley from the Eastern seaports in early 2005.

Major competitors in barley hauling business are Al Habbas, Al-Qahtani, and Abu Heed Transport.

4.2.5 Hauling of Fuel and Other Products

Local fuel distribution relates to the delivery of fuel products in tankers from Saudi Aramco filling stations to gas stations all over the Kingdom. Fuel distribution tankers are required to be built under standards specified by Saudi Aramco. Aldrees is currently focusing on expanding its business in fuel distribution, through capitalizing on its large fleet of fuel tankers, to cater to the increasing need of gas station operators for such services.

The hauling of other products loaded in flat beds and curtain side trailers is generally known to be the largest segment in the transport business. However, the market is highly fragmented with no single transporter able to claim a significant size of the market due to the pre-dominance of operators with a small fleet of tractor heads and trailers. Flat bed and curtain sides can load various products such as steel, plastic, food and drinks in either pallets, bags or specialized containers.

¹³ Competitors include Al Habbas, Al-Qahtani, and Abu Heed Transport.

5. Operational and Support Functions

Aldrees has developed a functional structure of operations with divisions covering marketing, sales, business information systems, human resources management system and security services backup procedures. The management of each division consists of a team of experienced and capable professionals, who report to the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.

In its effort to increase the effectiveness and efficiency of the distribution of petroleum and transportation services, the Company has developed and implemented a management information system for petrol and transport services, enabling management to closely monitor its activities and to further enhance report-generating ability by having real-time reports tailored according to management's needs.

5.1 Marketing and Sales Procedures

5.1.1 Petrol Services

The Company supplies petroleum products through retailing and contracting. Contracted services represent long-term service agreements with Government agencies and private companies with periods extending from 12 to 36 months and are predominantly obtained by means of open tender.

The Company actively markets its services through bidding in public tenders, as well as actively pursuing new contracts with Government and private companies. The contracts department of Aldrees undertakes developing and servicing such contracts. In addition, the marketing team responds to customer invitations and directly solicits prospective clients by visiting sites and orienting prospective clients about the Company's systems, procedures and expertise.

The contract services are performed through credit accounts and client beneficiaries use coupons or smart cards to obtain the service. Smart cards have a microchip, which can record the customized allocation for each beneficiary. Some contracts require beneficiaries to pay in cash.

Aldrees allocates for petrol services SAR 300,000 to SAR 500,000 annually to pay for regular advertisements in local newspapers and to maintain two billboards located in Riyadh on Khurais Road and Exit 15. In addition, Aldrees allocates SAR 900,000 annually for promotion and sales campaigns offering a range of prizes like cars and home appliances.

5.1.2 Transport Services

The Company provides transport services through contracts. Once a hauling contract is signed, details are forwarded to both the operations and accounting departments to be posted on the transport management system, which is a computerized operation system directly linked to the financial accounting module.

The operation supervisor then coordinates with the customer's representative on the hauling schedules and quantities to be transported followed by the preparation of a hauling plan which identifies the number of trucks and trailers to be utilized against the hauling schedule with the times and dates specified by the customer.

5.2 Management and Business Information Systems

The Company has developed and implemented various management information systems with ERP solutions, specific to both the petrol and transport division. The ERP is also integrated with the financial accounting system and management reports are available both in English and Arabic languages.

5.2.1 Petrol Management Systems

The ERP solution for the petrol division captures all transactions flowing through all petrol stations and contract servicing in the Kingdom. It systemizes and analyzes the entire Aldrees petrol business process that includes purchase orders made by petrol headquarters to Saudi Aramco, inventory management in each station, and sales and services availed by customers and paid through various methods.

The petrol management system is composed of several modules that support the division's operations. The primary modules are the sales and purchase modules.

5.2.2 Transport Management System

The ERP solution for the transport division automates and integrates all transport business processes. The solution estimates contract rates subject to variables such as point of origin, destination, distances, tonnages, number of trips, and commodity type. The transport management system optimizes the deployment of trucks considering diverse factors like road status, idle status and waiting time. The ERP solution also integrates other software including:

- ▶ delivery order system;
- ▶ backload slips;
- ▶ truck planning and scheduling;
- ▶ truck operating expenses against generated revenue;
- ▶ invoicing;
- ▶ estimated versus actual travel time;
- ▶ fuel consumption;
- ▶ trip bonus calculation; and
- ▶ trucks and equipment preventive maintenance scheduling.

5.3 Financial Accounting System

The financial accounting system is mainly composed of the following modules: the general ledger, accounts receivable, accounts payable and fixed assets modules all of which include a number of sub-applications.

General Ledger

The different types of transactions recorded in the system for general ledger accounts are journal voucher, recurring transactions, payments and other cash or bank receipts. In addition, the system enables maintaining records of contingent assets and liabilities.

Accounts Receivable

Transactions recorded in the system for accounts receivable are journal voucher, recurring transactions, payments and other cash or bank receipts. The accounts receivable module also provides the facility to enter the sales transactions manually or offline. Some of the applications included are: sales transactions, cash receipts, bank receipts, debit notes, aging of receivables and automatic provisioning of accounts receivable.

Accounts Payable

The accounts payable module covers purchase transactions, cash payments, bank payments, petty cash, debit notes and credit notes.

Fixed Assets

Fixed assets values are maintained through this module. The module also records depreciation, additions and disposals on a monthly basis.

5.4 Human Resources Management System

The Company also has a separate management system for human resources managing information about each individual employee including personal profile, professional experience and medical history. It prompts expiry of employees' Iqamas, visas, driver's license (for truck drivers). The human resources management system has modules that compute all employee entitlements such as payroll, due vacation days and end of service benefits.

5.5 Systems Security and Backup Procedures

All applications have their corresponding security and backup system. Every system user is assigned with a user ID and password. The level of access of each user is regulated according to their job description and level of authority in the Company. A backup facility is set in place to avoid any loss of data due to system failure and/or system crash. As of the date of the Prospectus, the Company has never experienced system failure or crashes.

5.6 Safety and Environmental Matters

The Company's operations involve dealing with hazardous, toxic and flammable substances that are regulated by the Government. In so far as Management is aware, the Company complies with the relevant laws and regulations and Management has implemented policies and procedures that are amended to ensure full compliance with applicable laws and regulations in relation to transporting, loading, unloading and storing these substances.

Drivers and pump attendants training manuals provide clear instructions regarding handling hazardous, toxic and flammable substances to ensure the protection of health and the environment and to avail completely safe and secured working conditions. Similarly, the manuals describe actions and steps to be taken in case of any accident or emergency in order to limit losses and casualties. Furthermore, to avoid losses associated with its operations, the Company undertakes the following measures:

- ▶ designing the petrol tankers in a form of pressurized units to minimize natural evaporation losses;
- ▶ ensuring that financial losses due to accidents are recoverable through acquiring insurance policies covering trucks, trailers and goods transported;
- ▶ immediate treatment of fixed tanks' cracks or other problems;
- ▶ replacing / repairing of malfunctioning dispensing pumps;
- ▶ continuous training of employees and drivers;
- ▶ providing regular preventive maintenance for all tractor heads and trailers;
- ▶ implementing annual tanker calibration, which includes installation of calibration markers and spot-checking through flow meters; and
- ▶ close monitoring of products loading/unloading process by field supervisors.

In so far as Management is aware, Aldrees has been in compliance with all applicable environmental permits, and as of the date of the Prospectus, there have been no workers' compensation claims, illnesses and no litigations that have been brought or threatened against Aldrees in relation to the health and safety of employees.

6. Corporate Structure

6.1 Directors and Senior Management

6.1.1 Board of Directors

Aldrees' Board of Directors (the "Board") includes representatives of existing shareholders. The Company is managed by a Board consisting of seven (7) members. Upon completion of the Offering, plans include increasing the number of directors to ten (10) members, three of which will be independent.

Exhibit 6-1: Aldrees' Board of Directors as of January 1, 2003

Position	Name	Nationality	Age
Chairman	Hamad Mohammad Aldrees	Saudi	70
Vice Chairman	Eng. Abdulmohsen Mohammad Aldrees	Saudi	60
Director	Eng. Abdulilah Saad Aldrees	Saudi	47
Director	Fahad Saad Aldrees	Saudi	45
Director	Saud Mohammad Aldrees	Saudi	40
Director	Khalid Abdullah Aldrees	Saudi	40
Director	Khalid Abdulmohsen Aldrees	Saudi	37

Source: Aldrees

6.1.2 Senior Management

Aldrees' management team consists of experienced professionals with local knowledge and expertise in petrol and transportation services. The Chief Executive Officer has the primary responsibility for running the Company's business and is directly responsible to the Board for the performance of the Company in line with the objectives of the Directors and shareholders. The senior management team headed by the Chief Executive Officer consists of the following members:

Exhibit 6-2: Aldrees' Senior Management Team

Position	Name	Nationality	Age
Chief Executive Officer	Eng. Abdulilah Saad Aldrees	Saudi	47
Chief Operating Officer	Fahad Saad Aldrees	Saudi	45
Chief Financial Officer	Onofre S. Zablan III	Filipino	54
GM Transport	Tawfique Al Muzain	Saudi	58
GM Petroleum	Mahmood Yousef Al Magrabi	Saudi	46
GM Human Resources	Khalid Abdulmohsen Aldrees	Saudi	37
Deputy GM Transport	Farook Alfekey	Egyptian	60
Finance AGM Petrol	Rasmy Gerguis Awad	Egyptian	51
Finance AGM Transport	Roberto T. Rasco	Filipino	42
Finance AGM Super 2 Division	Eduardo S. Razon	Filipino	45
IT Manager	Irfan Khalid Kazi	Indian	44

GM: General Manager, AGM: Assistant General Manager, IT: Information Technology, HR: Human Resources
Source: Aldrees

6.1.3 Experience and Qualification of Directors

Hamad Mohammad Aldrees, Chairman, is one of the founders of the Company in 1945. Mr. Hamad Aldrees was responsible for the business development plans of the Company since its establishment. He has also contributed to founding all of the Company's businesses. He is currently a member of the Riyadh Chamber of Commerce, where, he serves as a member of the Transportation Committee.

Eng. Abdulmohsen Mohammad Aldrees, Vice Chairman, holds a Bachelor of Science in Mechanical Engineering (1972) from the University of Florida, USA and earned his Master of Science in Mechanical Engineering (1977) from the University of Oklahoma, USA. He is the Chairman of the Saudi-Canadian Business Council, member of the board of the International Chamber of Commerce, member of the board of the Saudi Orphanage Society (Ensan), member of the board of Prince Fahad bin Salman Charity Association for Renal Failure Patients Care and a member of the acting committee for: the Saudi-Japanese Business Council, the Saudi-Chinese Business Council, the Islamic Chamber of Commerce. He is also a member of the US-Saudi Arabian Business Council, the Saudi National Committee for International Chamber of Commerce, the American Biographical Institute, the Saudi Council of Engineers and the Saudi Economic Society.

Eng. Abdulilah Saad Aldrees, Director and Chief Executive Officer, graduated from the University of Texas in 1978 with a degree in Civil Engineering. He was appointed as Chief Executive Officer in January 2004. Prior to his current position, Abdulilah acted as deputy managing director since 1982, in addition to acting as president of the Saudi American Glass Factory. Abdulilah joined Aldrees in 1978 as auto division manager where he was in-charge of the division's operations.

Fahad Saad Aldrees, Director and Chief Operating Officer, holds a Bachelor of Arts in Business Administration (1985) from Tilloston College, USA. He was appointed as Chief Operating Officer and Executive Committee member in July 2004, prior to which he held the position of general manager for the petroleum division from June 2000 to 2004, and has been a member of the Board since 1986.

Saud Mohammad Aldrees, Director, holds a high school certificate from Al Farouk High School in Riyadh, Saudi Arabia. Saud has 14 years of previous experience in the past with Mohammad Saad Aldrees and Sons Company Limited in various capacities. This experience included working as assistant general manager of spare parts and petroleum divisions, he also worked as a manager in the Company.

Khalid Abdullah Aldrees, Director, holds a Bachelor of Arts in Economics (1989) from Imam Mohammad Bin Saud University, Riyadh, Saudi Arabia. Khalid has over 14 years of experience in the past with Mohammad Saad Aldrees and Sons Company Limited. This experience mainly included managing the petroleum division and other miscellaneous projects in the Company. Currently, Khaled is the general manager of government contracts division in Hajj Hussain Ali Riza and Company Limited.

Khalid Abdulmohsen Aldrees, Director, General Manager for Human Resources and Development and General Manager, Super 2 Division, Khalid has been active in the Company's human resources and development department for the past 20 years. In addition, Khalid has been responsible for handling external relations, especially with Government agencies, for the past 9 years. Upon identifying a competent and experienced successor for his role as general manager, human resources, Khalid will assume his new responsibility as general manager, Super 2 Division.

6.1.4 Experience and Qualification of Senior Management

Eng. Abdulilah Saad Aldrees, Director and Chief Executive Officer, Mentioned above under board members.

Fahad Saad Aldrees, Director and Chief Operating Officer, Mentioned above under board members.

Onofre S. Zablan III, Chief Financial Officer, holds a Bachelor of Science in Commerce (1972) from the Philippine College of Commerce in Manila. Mr. Zablan III was appointed at current position in 1999. Prior to joining Aldrees, he was involved in the banking industry and has experience in the area since 1972. Most recent position held at a bank was at the Saudi American Bank as an executive in the corporate banking group. He also worked at the Saudi British Bank as a senior account manager, corporate banking from 1994 to 1996 prior to which, he was a senior relationship manager with United Saudi Commercial Bank.

Tawfique Al Muzain, General Manager, Transport Division, has 28 years of experience in transport business operations. Started as a marketing staff and became operational supervisor within the transport division for 10 years. In 2003, he was appointed as general manager, prior to that he was an assistant general manager for the transport division since 1986.

Mahmood Yousef Almagrabi, General Manager, Petroleum Division, holds a high school certificate from Najad School in Kuwait. He has been working for Aldrees since 1975, holding various positions, culminating to his appointment as general manager of the division in May 2005.

Khalid Abdulmohsen Aldrees, Director, General Manager for Human Resources and Development and General Manager, Super 2 Division, Mentioned above under board members.

Farook Al Fekey, Deputy General Manager, Transport Division, graduated from Cairo University in 1966 with a Bachelor of Science in Commerce. He served as the financial controller for the division from 1985 to 1997. Prior to his current position, Farook acted as operations manager of transport division from 1998 to 2003, and was subsequently promoted till he became the vice president of the division.

Rasmy Gerguis Awad, Assistant General Manager for Finance, Petrol Division, holds a Bachelor of Science in Commerce with a major in Accountancy (1967) from Ainshams University in Egypt. He has been the finance manager for the petrol division since 1993. Rasmy has 24 years of experience in financial accounting with exposure to trading, transport and petroleum businesses. Worked for social insurance – Egypt prior to joining Aldrees.

Roberto T. Rasco, Assistant General Manager for Finance, Transport Division, holds a Bachelor of Science in Commerce with a Major in Accounting (1984) from the University of San Carlos in the Philippines and is a Certified Public Accountant. He has been working as the finance manager for the transport division since 2000 and has 20 years of experience in financial accounting. He worked as a chief accountant for United Transport Company in Jeddah and for Roofing and Insulation Company Limited in Dhahran.

Eduardo S. Razon, Assistant General Manager for Finance, Super 2 Division, holds an MBA (1998) from Angeles University Foundation in Angeles City, Philippines in addition to a Bachelor of Science in Commerce with a major in Accounting (1988) from Guagua National College in Guagua, Philippines. Eduardo was appointed at his current position in June 2005, prior to that he was assistant general manager finance for the car rental division and finance

manager for the metals division of Mohammad Saad Aldrees & Sons Co. Ltd.. Prior to joining Aldrees organization, Mr. Razon had over 10 years of experience in the banking industry.

Irfan Khalid Kazi, Information Technology Manager, holds a Bachelor of Science in Chemistry (1986) from Bombay University and a Diploma in Computer Management from Bombay, India. He joined Aldrees in 1989 as a senior programmer/analyst and was appointed as information technology manager in 2004. Irfan led the team that designed and wrote the programs for the Company's existing information systems and applications.

6.2 Corporate Governance

The Company currently implements sound internal controls. An audit committee comprised of 3 Directors oversees the Company's risk assessment and management practices, internal controls, operations, financial reporting and audits of the Company's financial statements. The audit committee is also responsible for reviewing the Company's disclosure controls and procedures, the annual independent audit process, in addition to ensuring compliance with legal, accounting and regulatory requirements. Following the IPO, audit committee will be increased to four (4) members, all of which are non executive and at least one (1) will be an independent non-Aldrees family member with adequate accounting and financial background.

Exhibit 6-3: Aldrees' Current Audit Committee Members

Position	Name
Committee Chairman	Eng. Abdulmohsen Mohammad Aldrees
Committee Member	Saud Mohammad Aldrees
Committee Member	Khalid Abdullah Aldrees

Source: Aldrees

In addition, an executive committee comprised of 4 Directors is responsible for monitoring the operational performance of the Company and reports to the Board on various matters such as appointments of executive management, strategic planning and remuneration of Directors and executive management.

Exhibit 6-4: Aldrees' Current Executive Committee Members

Position	Name
Committee Chairman	Hamad Mohammad Aldrees
Committee Member	Eng. Abdulilah Saad Aldrees
Committee Member	Fahad Saad Aldrees
Committee Member	Khalid Abdulmohsen Aldrees

Source: Aldrees

Following the conversion into a Joint Stock Company, the Board will be comprised of 10 members, all of which will be elected by the Company's first general assembly meeting post conversion.

In addition, the Company's plans include setting up two board committees as follows:

- ▶ **Compensation Committee:** will be responsible for assisting the Board in establishing, reviewing and approving compensation plans and policies of the Company and remuneration of directors and executive management. This committee will be composed of three (3) members, of which at least two (2) will be independent non-Aldrees family members.
- ▶ **Safety and Environment Committee:** responsible for developing, reviewing, and implementing policies and procedures warranting compliance with safety and environment acts in Saudi Arabia.

6.3 Services Contracts

Once the Company converts into a joint stock status and in case of not being reappointed as members of the board of directors by the constituent general assembly, the current Directors agreed to terminate their contracts by resigning. Following is a summary of the current service contracts of the Directors of the Company:

6.3.1 Chairman of the Board

Duties and Responsibilities

- ▶ Lead the Board in defining the organization's values, vision, and mission.
- ▶ Provide over-all direction and continuity for the organization.
- ▶ Determine and monitor the organization's programs and services.
- ▶ Responsible to stakeholders for the quality of products and services of the organization.
- ▶ Lead the Board in selecting a chief executive who will have responsibility for the administration of the organization.
- ▶ Support the executive committee, by offering administrative guidance and periodic performance evaluation.
- ▶ Vote to retain or replace the Top Executive Officers.
- ▶ Ensure effective organizational planning.
- ▶ Direct, plan and implement policies and objectives of the organization in accordance with its Charter.
- ▶ Govern the organization according to established policies and objectives.
- ▶ Determine priorities and ensure the organization's success by continually reviewing its work.
- ▶ Ensure sufficient resources for the organization's operation and oversees its efficient management.
- ▶ Assess performance of Board Members.

Schedule of Meetings

Meetings shall be held quarterly and the date shall be set by the cooperate secretary¹⁴.

Allowances

Members of the Board will not be paid any allowances or emoluments for services they have rendered to the company.

Duration

The contract is for three (3) Gregorian years effective 1 January 2004 until 31 December 2006.

6.3.2 Vice Chairman of the Board

Duties and Responsibilities

- ▶ Assumes the functions of the Chairperson in his absence.
- ▶ Participate in defining the organization's values, vision and mission.
- ▶ Participate in setting up the legal existence of the organization.
- ▶ Provide over-all direction and continuity for the organization.
- ▶ Participate in selecting a Chief Executive who will have responsibility for the administration of the organization.
- ▶ Vote to retain or replace the Top Executives of the company.

¹⁴ The current secretary of the Company is Khalid bin Abdulmohsen Aldrees.

- ▶ Ensure effective organizational planning and implementation of policies and objectives of the organization in accordance with its charter.
- ▶ Participate in governing the organization according to established policies and objectives.
- ▶ Determine priorities and ensure the organization's success by continually reviewing its work.
- ▶ Ensure sufficient resources for the organization's operations and its efficient management.
- ▶ Analyze operations and evaluate performance of the company.
- ▶ Determine areas of program improvement and cost reduction.
- ▶ Assesses the Board's own performance.

Schedule of Meetings

Meetings shall be held quarterly and the date shall be set by the cooperate secretary.

Allowances

Members of the Board will not be paid any allowances or emoluments for services they have rendered to the company.

Duration

The contract is for three (3) Gregorian years effective 1 January 2004 until 31 December 2006 Members of the Board.

6.3.3 Directors

Duties and Responsibilities

- ▶ Participate in defining the organization's values, vision and mission.
- ▶ Participate in setting up the legal existence of the organization.
- ▶ Provide over-all direction and continuity for the organization.
- ▶ Participate in selecting a Chief Executive who will have responsibility for the administration of the organization.
- ▶ Vote to retain or replace the Top Executives of the company.
- ▶ Ensure effective organizational planning and implementation of policies and objectives of the organization in accordance with its charter.
- ▶ Participate in governing the organization according to established policies and objectives.
- ▶ Determine priorities and ensure the organization's success by continually reviewing its work.
- ▶ Ensure sufficient resources for the organization's operations and its efficient management.
- ▶ Analyze operations and evaluate performance of the company.
- ▶ Determine areas of program improvement and cost reduction.
- ▶ Assesses the Board's own performance.

Schedule of Meetings

Meetings shall be held quarterly and the date shall be set by the cooperate secretary.

Allowances

Members of the Board will not be paid any allowances or emoluments for services they have rendered to the company.

Duration

The contract is for three (3) Gregorian years effective 1 January 2004 until 31 December 2006.

6.4 Declaration of Directors and Key Officers

The Directors, Chief Executive Officer, Chief Financial Officer and Company Secretary declare as of the date of the Prospectus that they:

- ▶ have not at any time been declared bankrupt or been subject to bankruptcy proceedings; and
- ▶ except as disclosed in page 100 of this Prospectus, do not themselves, nor do any relatives or affiliates, have any material interest in any contract or arrangement in effect or contemplated at the time of the listing document, which is significant in relation to the business of the Company.

6.5 Remuneration of Directors and Management

No compensation was paid to the members of the Board, and members of Board committees, for the years ended 31 December 2002, 2003 and 2004 in their capacity as Directors.

The total remuneration of the executive officers of the Company's management for the years ended 31 December 2002, 2003 and 2004 and the six months ended 30 June 2005 amounted to SAR 3.2 million, SAR 3.4 million, SAR 4.1 million and SAR 2.5 million respectively. The remuneration of Management includes basic salaries, bonuses, housing and educational fees.

6.6 Employees

Aldrees had a total number of 1,805 employees as of 30 June 2005, the following table illustrates the number of Company employees by division:

	Exhibit 6-5: Number of Employees by Division			
	30 June	Year Ended 31 December		
	2005	2004	2003	2002
<u>Head Office</u>				
Executives	7	8	7	7
Office staff	25	12	10	6
Total	32	20	17	13
<u>Petrol Division</u>				
Managers and supervisors	87	45	44	40
Office staff	148	115	82	52
Laborers	660	649	441	309
Total	895	809	567	401
<u>Transport Division</u>				
Managers and supervisors	47	50	30	27
Office staff	60	51	50	29
Laborers	750	729	637	641
Total	857	830	717	697
<u>Super 2 Division</u>				
Managers and supervisors	7	-	-	-
Office staff	-	-	-	-
Laborers	14	-	-	-
Total	21	-	-	-
Total Employees	1,805	1,659	1,301	1,111

Source: Aldrees

As of 30 June 2005, the percentage of laborers reached 74% and 88% for the petrol and transport divisions, respectively.

6.6.1 Recruitment

The Company recruits employees locally and more predominantly from abroad through different recruitment agencies in the Philippines, Pakistan, India, Nepal, Egypt and Bangladesh. Hiring new employees is relative to the expansion program being undertaken by the Company. As of 30 June 2005, the manpower for the petrol division reached 895 employees from 401 employees in 2002. As for the transport division, number of employees was 697 in 2002 and increased to 857 by 30 June 2005.

Employees are screened through interview, written examination and medical test. Qualified applicants are offered compensations and benefits in accordance with the Saudi Labor Law. Compensation of employees include basic salary, housing, medical and accident insurance benefits.

6.6.2 Training

Orientation programs are provided for new employees where they are informed about Company policies and procedures. By early December of each year, the management updates new employees with manuals translated to languages spoken by the majority of employees.

Recently, the petrol division completed intensive training sessions for 476 pump attendants in 78 stations within Riyadh and is planning to complete training sessions for pump attendants in other areas soon. Classroom training for pump attendants takes 3 days of 4 hour sessions at the Company's training center located in Riyadh.

All new truck drivers are given six days of orientation and training on their first week of employment to introduce the Company's standard operating procedures, product handling and safety measures. On 15 April 2005, the Company conducted intensive continuing training for all truck drivers to emphasize compliance with policies and procedures. This will be a continuing year-round exercise for all drivers and will also include workshop technicians.

6.6.3 Saudization Policies

As the Company employs more than 20 personnel, pursuant to Council of Ministers Resolution No. 50 dated 21 Rabi' Al-Thani 1415H (corresponding to 27 September 1994G) ("Resolution No. 50"), it is required to increase its Saudi Arabian workforce annually by at least 5% of the total workforce.

Resolution No. 50 does not set any minimum percentage of Saudi Arabian employees that a company must have when it is first established, but, a circular issued by the Minister of Labor on 1 Jumada Althani 1423H (corresponding to 10 August 2002G) (the "Circular") requires Saudi nationals to comprise 30% of the workforce of every Saudi Arabian entity that employs more than 20 employees, subject to certain limited exceptions that do not apply to the branch of the company.

If at least 20% of a company's workforce is comprised of Saudi nationals, if such company has a Saudization plan, and if such company provides a written undertaking to increase the Saudi element of its workforce, the company will be issued with a Saudization certificate and be permitted to transfer the sponsorship of non-Saudi employees. However, companies with a workforce with less than 20% Saudi nationals will not be issued with Saudization certificates or be allowed to sponsor non-Saudi employees.

Pursuant to Resolution No. 50, a failure by an employer to meet the Saudization obligations arising in connection with Resolution No. 50 can be punished by:

- ▶ The suspension of all of the employer's applications for work visas;
- ▶ The suspension of all of the employer's applications to transfer the sponsorship of an employee or potential employee;
- ▶ Exclusion from application for Saudi government tenders;
- ▶ Denial of Saudi government loans; and
- ▶ Denial of Saudi government incentives otherwise available to the private sector.

Furthermore, a draft of a new labor law which has been approved by the Saudi Arabian Council of Ministers requires that 75% of the employees of all businesses in Saudi Arabia be Saudi nationals. The new labor law will not come into force until and unless it is enacted by a Royal Decree. At present, it remains only a draft with no legal effect.

Although the Company has adopted a Saudization policy, due to the nature of the Company's business, it has found it difficult to recruit Saudi nationals to its workforce, which comprises mainly positions such as pump attendants and drivers, and does not meet Saudization requirements.¹⁵ It has explained its position to the Ministry of Labor which has continued to issue labor visas for non-Saudi nationals employed by the Company. (See "*Risk Factors*" section).

¹⁵ As of 30 June 2005, pump attendants totaled 598 and drivers totaled 586, together representing approximately 66% of total employees

7. Accountants' Report

The audited financial statements for each of the three years ended 31 December 2004, 2003 and 2002 and the notes thereto incorporated in the Prospectus have been included herein in reliance on the report of Deloitte & Touche Bakr Abulhair & Co., independent auditors of Aldrees for the above stated periods.

Deloitte & Touche Bakr Abulhair & Co. do not themselves, nor do any of their relatives or affiliates have any shareholding or interest of any kind in the Company. In addition, Deloitte & Touche Bakr Abulhair & Co have given and not withdrawn their written consent to the publication in the Prospectus of their Accountants' Report.

AUDITORS' REPORT

To the shareholders
Aldrees Petroleum and Transport Services Company Ltd.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)

Riyadh, Saudi Arabia

We have audited the accompanying balance sheet of Aldrees Petroleum and Transport Services Company Ltd. (a Saudi limited liability company) as of December 31, 2004, and the related statements of income, shareholders' equity and cash flows for the year then ended, and notes 1 to 15 which form an integral part of these financial statements as prepared by the Company in accordance with Article 175 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 financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles 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.

As further discussed in the accompanying notes 2 and 5, the accompanying financial statements for the years ended December 31, 2003 and 2002 have been provided for comparability purposes on a pro forma basis from the audited financial statements of the Company taken as a whole for the years ended December 31, 2003 and 2002, on which our reports dated May 1, 2004 and June 4, 2003, respectively, expressed unqualified opinions. These pro forma based financial statements assume that the transfer agreement signed by the Company and an affiliated company for the transfer of the six branches operating in businesses unrelated to the Company's continuing operations in petroleum and transport services had occurred on January 1, 2002. The legal procedures relating to the transfer of the six branches were completed subsequently.

Deloitte & Touche
Bakr Abulkhair & Co.

Bakr A. Abulkhair
License No. 101
Safar 16, 1426
March 26, 2005

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

BALANCE SHEET
AS OF DECEMBER 31, 2004

	Note	(Notes 2 & 5)		
		2004 SAR	2003 SAR	2002 SAR
ASSETS				
Current assets				
Cash and bank balances		287,300	2,491,208	1,866,463
Accounts receivable		58,926,821	48,450,132	53,181,351
Unbilled revenue		14,260,553	5,060,217	4,737,012
Inventories	3	6,355,311	3,898,266	3,500,699
Prepaid expenses and other assets	4	30,614,487	20,747,060	16,285,551
Total current assets		110,444,472	80,646,883	79,571,076
Non-current assets				
Due from an affiliate	5	39,006,315	39,006,315	39,006,315
Property and equipment	6	171,031,728	129,234,721	102,672,825
TOTAL ASSETS		320,482,515	248,887,919	221,250,216
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable	7	93,628,881	79,527,856	58,492,101
Accrued expenses and other liabilities	8	17,769,148	16,165,422	12,944,274
Zakat provision	9	916,317	-	403,761
Total current liabilities		112,314,346	95,693,278	71,840,136
Non-current liabilities				
End-of-service indemnities		8,128,362	6,078,356	5,507,846
Shareholders' equity				
Share capital	1	100,000,000	100,000,000	50,000,000
Additional capital	1	100,000,000	-	50,000,000
Statutory reserve	10	-	857,614	-
General reserve	11	-	40,000,000	40,000,000
Retained earnings		39,807	6,258,671	3,902,234
Total shareholders' equity		200,039,807	147,116,285	143,902,234
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		320,482,515	248,887,919	221,250,216

The accompanying notes form an integral part of this financial statement.

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2004

	Note	(Notes 2 & 5)		
		2004 SAR	2003 SAR	2002 SAR
Revenues		622,547,170	502,943,279	374,885,931
Cost of revenues		(566,727,890)	(467,733,748)	(347,091,406)
Gross profit		55,819,280	35,209,531	27,794,525
Selling expenses	12	(1,948,614)	(840,553)	(667,764)
General and administrative expenses	13	(15,547,425)	(13,360,399)	(9,380,003)
Operating income		38,323,241	21,008,579	17,746,758
Finance charges on letters of guarantee		(761,135)	(473,500)	(301,155)
Other income, net		1,268,956	553,846	1,003,111
Income before zakat		38,831,062	21,088,925	18,448,714
Zakat	9	(1,032,540)	(470,055)	(403,761)
NET INCOME		37,798,522	20,618,870	18,044,953

The accompanying notes form an integral part of this financial statement.

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

STATEMENT OF SHAREHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2004

	Note	2004 SAR	(Notes 2 & 5)	
			2003 SAR	2002 SAR
Share capital	1			
Balance, beginning of the year		100,000,000	50,000,000	50,000,000
Transfer from additional capital		-	50,000,000	-
Balance, end of the year		100,000,000	100,000,000	50,000,000
Additional capital	1			
Balance, beginning of the year		-	50,000,000	-
Transfer to capital		-	(50,000,000)	-
Transfer from statutory reserve		4,637,466	-	-
Transfer from general reserve		40,000,000	-	35,000,000
Transfer from shareholders' current account		15,125,000	-	-
Transfer from retained earnings		40,237,534	-	15,000,000
Balance, end of the year		100,000,000	-	50,000,000
Statutory reserve	1 and 10			
Balance, beginning of the year		857,614	-	-
Transfer from retained earnings		3,779,852	857,614	-
Transfer to additional capital		(4,637,466)	-	-
Balance end of the year		-	857,614	-
General reserve	1			
Balance, beginning of the year		40,000,000	40,000,000	75,000,000
Transfer to additional capital		(40,000,000)	-	(35,000,000)
Balance end of the year		-	40,000,000	40,000,000
Shareholders' current account				
Balance, beginning of the year		-	-	(3,129,744)
Cash contribution by shareholders		15,125,000	-	-
Transfer to additional capital		(15,125,000)	-	-
Net movement		-	-	3,129,744
Balance, end of the year		-	-	-
Retained earnings				
Balance, beginning of the year		6,258,671	3,902,234	18,488,291
Losses on operations of the transferred six non petroleum and transport branches	5	-	(12,042,727)	(4,802,643)
Net income for the year		37,798,522	20,618,870	18,044,953
Dividends paid		-	(5,362,092)	(12,828,367)
Transfer to statutory reserve		(3,779,852)	(857,614)	-
Transfer to additional capital		(40,237,534)	-	(15,000,000)
Balance, end of the year		39,807	6,258,671	3,902,234
TOTAL SHAREHOLDERS' EQUITY		200,039,807	147,116,285	143,902,234

The accompanying notes form an integral part of this financial statement.

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004

	(Notes 2 & 5)		
	2004 SAR	2003 SAR	2002 SAR
OPERATING ACTIVITIES			
Net income	37,798,522	20,618,870	18,044,953
Adjustments for:			
Depreciation	8,468,589	9,355,750	6,825,453
Gains from sale of property and equipment	(810,156)	(274,404)	(712,582)
Provision for zakat	1,032,540	470,055	403,761
Changes in operating assets and liabilities:			
Accounts receivable	(10,476,689)	4,731,219	(8,381,318)
Unbilled revenue	(9,200,336)	(323,205)	3,103,720
Inventories	(2,457,045)	(397,567)	(524,757)
Prepaid expenses and other assets	(9,983,650)	(4,345,286)	(8,089,051)
Accounts payable	14,101,025	21,035,755	37,021,818
Accrued expenses and other liabilities	1,603,726	3,221,148	3,091,542
End-of-service indemnities	2,050,006	570,510	398,074
Zakat paid	-	(990,039)	(126,038)
Net cash from operating activities	32,126,532	53,672,806	51,055,575
INVESTING ACTIVITIES			
Purchase of property and equipment	(52,180,930)	(37,225,810)	(40,053,620)
Proceeds from sale of property and equipment	2,725,490	1,582,568	5,008,371
Net cash used in investing activities	(49,455,440)	(35,643,242)	(35,045,249)
FINANCING ACTIVITIES			
Cash contribution by shareholders	15,125,000	-	-
Losses on operations of the transferred six non petroleum and transport branches	-	(12,042,727)	(4,802,643)
Dividends paid	-	(5,362,092)	(12,828,367)
Net cash from (used in) financing activities	15,125,000	(17,404,819)	(17,631,010)
Net change in cash and bank balances	(2,203,908)	624,745	(1,620,684)
Cash and bank balances, January 1	2,491,208	1,866,463	3,487,147
CASH AND BANK BALANCES, DECEMBER 31	287,300	2,491,208	1,866,463
Non-cash item:			
Due from an affiliate resulting from transfer of net assets of the six non petroleum and transport branches	-	-	39,006,315

The accompanying notes form an integral part of this financial statement.

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004

1. ORGANIZATION AND ACTIVITIES

Aldrees Petroleum and Transport Services Company Ltd. ("The Company") is a Saudi limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010002475 issued in Riyadh on 13 Rabie Al- Thani 1382 H (Corresponding to September 12, 1962) as Mohammed Saad Aldrees and Sons Company Ltd.

During December 2004, the shareholders resolved to change the Company's name from Mohammed Saad Aldrees and Sons Company Ltd. to Aldrees Petroleum and Transport Services Company Ltd. The legal procedures relating to this change were completed during 2004.

The Company's objects, as per its commercial registration, includes retail and wholesale trading of fuel, lubricants, vehicle spare parts, tires and batteries and the transportation of goods using highways, operating vehicle workshops and car washes and acquisition of land to construct buildings for sale or lease for the interest of the Company.

During December 2002, the shareholders had resolved to increase the Company's share capital from SAR 50 million to SAR 100 million by transferring SAR 35 million and SAR 15 million from the general reserve and retained earnings, respectively to share capital. The legal procedures relating to this increase were completed during 2003.

The share capital amounting to SAR 100 million consists of 1,000,000 shares of SAR 100 each distributed among the shareholders as of December 31, 2004, as follows:

<u>Name</u>	<u>%</u>	<u>No. of shares</u>	<u>Capital SAR</u>
Mr. Hamad Mohammed Aldrees	25.50	254,826	25,482,600
Mr. Abdulmohsen Mohammed Aldrees	25.50	254,826	25,482,600
Heirs of Saad Mohammed Aldrees	13.90	138,980	13,898,000
Heirs of Mohammed Saad Aldrees	23.60	236,024	23,602,400
Heirs of Abdullah Mohammed Aldrees	11.50	115,344	11,534,400
	<u>100.00</u>	<u>1,000,000</u>	<u>100,000,000</u>

During December 2004, the shareholders resolved to increase the Company's share capital from SAR 100 million to SAR 200 million by transferring SAR 4,637,466, SAR 40,000,000, SAR 15,125,000 and SAR 40,237,534 from statutory reserve, general reserve, shareholders' current account and retained earnings, respectively. As of December 31, 2004, the legal procedures regarding these changes were completed subsequently.

**ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2004**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with the Standard of General Presentation and Disclosure issued by the Ministry of Commerce and 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:

Basis of presentation

As further discussed in Note 5, the Company's financial statements for the year ended December 31, 2004 and the comparable financial statements on a pro forma basis for the years ended December 31, 2003 and 2002 were presented on the following bases:

Financial statements for the year ended December 31, 2004

The accompanying financial statements for the year ended December 31, 2004 include the accounts of the Company and the following two branches:

- ❖ Petroleum Services
- ❖ Transportation

Financial statements prepared on a pro forma basis for the years ended December 31, 2003 and 2002

The accompanying financial statements for the years ended December 31, 2003 and 2002 have been provided for comparability purposes on a pro forma basis from the audited financial statements of the Company taken as a whole for the years ended December 31, 2003 and 2002. These financial statements assume that the transfer agreement signed by the Company and an affiliated company during 2004 for the transfer of the Company's six branches operating in businesses unrelated to the Company's continuing operations in petroleum and transport services had occurred on January 1, 2002, (see Note 5). Following are the names of the six branches that were transferred:

- ❖ Saudi American Glass Factory
- ❖ Tools and Equipment
- ❖ Aldrees International Contracting Supply
- ❖ Agricultural and Irrigation
- ❖ Metals
- ❖ Car Rental

**ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2004**

Accounting convention

The financial statements are prepared under the historical cost and accrual basis conventions.

Revenue recognition

Revenue from sales is recognized when goods are delivered and services are rendered to customers.

Unbilled revenue

Unbilled revenue represents revenue earned but not yet billed at the balance sheet date.

Expenses

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

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

Inventories

Inventories are stated at the lower of cost or estimated net realizable value. Cost is determined using the weighted average cost method. Appropriate provision is made for obsolete and slow moving inventories, if required.

Property and equipment

Property 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. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease. The estimated rates of depreciation of the principal classes of assets are as follows:

Buildings	3%
Leasehold improvements	Lease period
Machinery and equipment	10%
Furniture and fixtures	10%
Trucks	7.14% with 20% salvage value
Vehicles	25%
Computers	25%
Tools	12%

During 2004, the Company changed the estimated useful lives and salvage values for trucks (See Note 6).

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2004

Unearned revenue

Unearned revenue represents the amounts on prepaid petrol cards issued by the Company that have not been utilized by customers at the balance sheet date.

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 are included in the statement of income.

End-of-service indemnities

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

Zakat

The Company is subject to the Regulations of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided on an accrual basis. The zakat charge is computed on the zakat base. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

3. INVENTORIES

	(Notes 2 & 5)		
	2004	2003	2002
	SAR	SAR	SAR
Fuel and lubricants	5,451,335	2,999,683	2,413,340
Spare parts	903,976	898,583	1,087,359
	6,355,311	3,898,266	3,500,699

4. PREPAID EXPENSES AND OTHER ASSETS

	(Notes 2 & 5)		
	2004	2003	2002
	SAR	SAR	SAR
Prepaid rent	22,740,639	15,557,645	11,443,227
Receivables due from employees	4,356,628	4,094,477	4,094,612
Cash deposits on letter of guarantees	2,331,443	381,575	136,177
Zakat paid in advance (Note 9)	-	116,223	-
Other	1,185,777	597,140	611,535
	30,614,487	20,747,060	16,285,551

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2004

5. DUE FROM AN AFFILIATE

During June 2004, the Company entered into an agreement with an affiliated company, Mohammed Saad Aldrees' Sons Company Holdings, whereby the Company transferred (i.e. spin-off) effective January 1, 2004, the operations including the related assets and liabilities of the following six non petroleum services and non transport branches to the affiliated company at book value:

- ❖ Saudi American Glass Factory
- ❖ Tools and Equipment
- ❖ Aldrees International Contracting Supply
- ❖ Agricultural and Irrigation
- ❖ Metals
- ❖ Car Rental

The above transfer of net assets at book value resulted in an amount due from the affiliated company of SAR 39,006,315 at January 1, 2004. The legal procedures relating to the transfer agreement were completed subsequently.

The following condensed pro forma financial position and results of operations have been provided for comparability purposes, based on the audited financial statements of the Company as a whole for the years ended December 31, 2003 and 2002, assuming that the transfer of the six non petroleum and non transport branches mentioned above to the affiliated company had occurred on January 1, 2002:

2003	Audited historical financial statements SAR	Adjustments (A) SAR	Pro forma financial statements SAR
<u>BALANCE SHEET</u>			
Current assets	175,544,948	(94,898,065)	80,646,883
Due from an affiliate	-	39,006,315	39,006,315
Other non-current assets	359,276,542	(230,041,821)	129,234,721
Total assets	534,821,490	(285,933,571)	248,887,919
Current liabilities	(306,927,787)	211,234,509	(95,693,278)
Non-current liabilities	(80,777,418)	74,699,062	(6,078,356)
Shareholders' equity	(147,116,285)	-	(147,116,285)
Total liabilities and shareholders' equity	(534,821,490)	285,933,571	(248,887,919)

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2004

	Audited historical financial statements SAR	Adjustments (A) SAR	Pro forma financial statements SAR
<u>STATEMENT OF INCOME</u>			
Revenues	643,111,231	(140,167,952)	502,943,279
Cost of revenues	(577,507,790)	109,774,042	(467,733,748)
Gross profit	65,603,441	(30,393,910)	35,209,531
Selling expenses	(8,414,158)	7,573,605	(840,553)
General and administrative expenses	(42,713,256)	29,352,857	(13,360,399)
Operating income	14,476,027	6,532,552	21,008,579
Finance charges	(15,714,121)	15,240,621	(473,500)
Other income, net	10,284,292	(9,730,446)	553,846
Income before zakat	9,046,198	12,042,727	21,088,925
Zakat	(470,055)	-	(470,055)
Net income	8,576,143	12,042,727	20,618,870

	Audited historical financial statements SAR	Adjustments (A) SAR	Pro forma financial statements SAR
<u>2002</u>			
<u>BALANCE SHEET</u>			
Current assets	198,307,481	(118,736,405)	79,571,076
Due from an affiliate	-	39,006,315	39,006,315
Other non-current assets	333,430,116	(230,757,291)	102,672,825
Total assets	531,737,597	(310,487,381)	221,250,216
Current liabilities	(297,859,085)	226,018,949	(71,840,136)
Non-current liabilities	(89,976,278)	84,468,432	(5,507,846)
Shareholders' equity	(143,902,234)	-	(143,902,234)
Total liabilities and shareholders' equity	(531,737,597)	310,487,381	(221,250,216)

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2004

	Audited historical financial statements SAR	Adjustments (A) SAR	Pro forma financial statements SAR
<u>STATEMENT OF INCOME</u>			
Revenues	502,155,463	(127,269,532)	374,885,931
Cost of revenues	(442,851,246)	95,759,840	(347,091,406)
Gross profit	59,304,217	(31,509,692)	27,794,525
Selling expenses	(6,132,680)	5,464,916	(667,764)
General and administrative expenses	(36,645,304)	27,265,301	(9,380,003)
Operating income	16,526,233	1,220,525	17,746,758
Finance charges	(12,332,650)	12,031,495	(301,155)
Other income, net	9,452,488	(8,449,377)	1,003,111
Income before zakat	13,646,071	4,802,643	18,448,714
Zakat	(403,761)	-	(403,761)
Net income	13,242,310	4,802,643	18,044,953

(A) The adjustments to the pro forma based financial statements represent the assets, liabilities and operations of the six non petroleum services and non transport branches that were transferred to the affiliated company. In the opinion of management, all adjustments necessary to present fairly the financial statements for the years ended December 31, 2003 and 2002 on a pro forma basis have been made.

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2004

6. PROPERTY AND EQUIPMENT (See Notes 2 and 5 for years of 2003 and 2002)

	Land SAR	Buildings SAR	Leasehold improvements SAR	Machinery and equipment SAR	Furniture and fixtures SAR	Trucks and vehicles SAR	Computers SAR	Tools SAR	Total SAR
Cost									
January 1, 2002	37,211,823	13,676,216	-	3,390,967	1,961,697	114,135,153	2,232,831	3,420,798	176,029,485
Additions	24,775,846	3,644,341	-	632,185	748,930	9,173,703	913,971	164,644	40,053,620
Disposals	-	-	-	(240,813)	(292,907)	(6,999,269)	(47,575)	(15,700)	(7,596,264)
December 31, 2002	61,987,669	17,320,557	-	3,782,339	2,417,720	116,309,587	3,099,227	3,569,742	208,486,841
Additions	5,457,830	10,045,170	1,659,957	84,710	191,667	17,901,718	1,531,313	353,445	37,225,810
Disposals	-	(866,815)	-	-	-	(2,254,258)	-	-	(3,121,073)
December 31, 2003	67,445,499	26,498,912	1,659,957	3,867,049	2,609,387	131,957,047	4,630,540	3,923,187	242,591,578
Additions	900,000	834,057	6,240,134	904,940	750,662	39,845,093	2,313,974	392,070	52,180,930
Disposals	-	-	-	(11,260)	(798,594)	(4,771,159)	-	-	(5,581,013)
December 31, 2004	68,345,499	27,332,969	7,900,091	4,760,729	2,561,455	167,030,981	6,944,514	4,315,257	289,191,495
Depreciation									
January 1, 2002	-	7,854,681	-	3,132,593	1,507,462	85,237,708	1,316,797	3,239,798	102,289,039
Charge for the year	-	421,553	-	66,339	131,006	5,890,350	137,575	178,630	6,825,453
Disposals	-	-	-	(213,295)	(278,873)	(2,760,030)	(34,937)	(13,341)	(3,300,476)
December 31, 2002	-	8,276,234	-	2,985,637	1,359,595	88,368,028	1,419,435	3,405,087	105,814,016
Charge for the year	-	470,892	-	152,602	162,192	8,043,893	480,910	45,261	9,355,750
Disposals	-	(314,382)	-	-	-	(1,498,527)	-	-	(1,812,909)
December 31, 2003	-	8,432,744	-	3,138,239	1,521,787	94,913,394	1,900,345	3,450,348	113,356,857
Charge for the year	-	761,343	2,248,487	262,598	221,427	4,171,437	763,016	40,281	8,468,589
Disposals	-	-	-	(1,272)	(798,471)	(2,865,936)	-	-	(3,665,679)
December 31, 2004	-	9,194,087	2,248,487	3,399,565	944,743	96,218,895	2,663,361	3,490,629	118,159,767
Net Book value									
December 31, 2004	68,345,499	18,138,882	5,651,604	1,361,164	1,616,712	70,812,086	4,281,153	824,628	171,031,728
December 31, 2003	67,445,499	18,066,168	1,659,957	728,810	1,087,600	37,043,653	2,730,195	472,839	129,234,721
December 31, 2002	61,987,669	9,044,323	-	796,702	1,058,125	27,941,559	1,679,792	164,655	102,672,825

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2004

Depreciation expense has been allocated during the years ended December 31, 2004, 2003 and 2002 as follows:

	2004	<i>(Notes 2 & 5)</i>	
	SAR	2003	2002
		SAR	SAR
Cost of revenues	7,400,500	8,744,184	6,386,953
General and administrative expense	1,068,089	611,566	438,500
	8,468,589	9,355,750	6,825,453

The Company has fully depreciated tractor heads and trailers (i.e. trucks) still in service at December 31, 2004 with a total cost of SAR 73.2 million. During 2004, the Company obtained from independent distributors of commercial trucks the estimated fair values of the fully depreciated trucks, which amounted to SAR 29.4 million. Such amount was not reflected in the accompanying financial statements.

Property and equipment includes land and buildings amounting to SAR 15,000,000, as determined through an appraisal furnished by an independent real estate agent, which were transferred from a shareholder during December 2003.

During 2002, the Company purchased a parcel of land from one of the shareholders amounting to SAR 24,775,846 and was credited to the concerned shareholder's current account. The value of the purchased land has been determined through an appraisal furnished by an independent real estate agent.

On December 22, 2003, the shareholders resolved to change the estimated useful lives of the Company's trucks from seven years (equivalent to a depreciation rate of 15% per year) to fourteen years (equivalent to a depreciation rate of 7.14% per year) down to an estimated salvage value of 20% to more closely approximate the economic lives of these assets. The salvage values of the trucks have been determined based on assessments obtained from independent distributors of commercial trucks.

This change in estimate for useful lives of trucks is effective for the fiscal year beginning January 1, 2004.

The effect of the above change in estimate was to decrease the depreciation expense of the trucks by SAR 5.8 million for the year ended December 31, 2004.

7. ACCOUNTS PAYABLE

	2004	<i>(Notes 2 & 5)</i>	
	SAR	2003	2002
		SAR	SAR
Notes payable	-	1,963,196	894,830
Trade payables	93,628,881	77,564,660	57,597,271
	93,628,881	79,527,856	58,492,101

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2004

8. ACCRUED EXPENSES AND OTHER LIABILITIES

	(Notes 2 & 5)		
	2004	2003	2002
	SAR	SAR	SAR
Unearned revenues	12,274,126	11,012,534	8,339,091
Accrued expenses	4,652,514	4,343,840	4,122,202
Other	842,508	809,048	482,981
	17,769,148	16,165,422	12,944,274

9. ZAKAT PROVISION

The movement in zakat provision is as follows:

	(Notes 2 & 5)		
	2004	2003	2002
	SAR	SAR	SAR
Balance, beginning of the year	(116,223)	403,761	126,038
Provision for the year	1,032,540	470,055	403,761
Payments during the year	-	(990,039)	(126,038)
Balance, end of the year	916,317	(116,223)	403,761

The principal elements of the zakat provision base are as follows:

	2004
	SAR
Shareholders' equity	162,241,285
Provisions	5,657,816
Adjusted net income	41,301,607
Deductions:	
Property and equipment, net	(171,031,728)
Zakat base	38,168,980
Zakat at 2.5% of adjusted net income	1,032,540

The Company has filed its financial statements and zakat returns for the years from 2002 to 2003 with the Department of Zakat and Income Tax and has not yet received the related final zakat assessments. Management believes that adequate provision has been made for zakat and any zakat liability that may arise will not have a material effect on the Company's financial statements.

The Company has received the final zakat certificates for the years up to 2001.

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2004

10. 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 (see Note 1).

11. GENERAL RESERVE

The general reserve was established prior to 2002 to support the Company's working capital. This reserve is available for distribution (see Note 1).

12. SELLING EXPENSES

	(Notes 2 & 5)		
	2004	2003	2002
	SAR	SAR	SAR
Sales commissions and promotions	1,258,439	499,584	325,554
Advertising	690,175	340,969	342,210
	<u>1,948,614</u>	<u>840,553</u>	<u>667,764</u>

13. GENERAL AND ADMINISTRATIVE EXPENSES

	(Notes 2 & 5)		
	2004	2003	2002
	SAR	SAR	SAR
Salaries and other benefits	10,769,244	9,165,633	5,932,637
Depreciation	1,068,089	611,566	438,500
Utilities	849,046	1,141,065	758,179
Rent	82,966	108,492	44,635
Travel expense	531,255	520,663	169,227
Printing and stationery	203,206	179,801	247,422
Audit fees	145,000	145,000	145,000
Maintenance	652,817	449,411	428,023
Other	1,245,802	1,038,768	1,216,380
	<u>15,547,425</u>	<u>13,360,399</u>	<u>9,380,003</u>

**ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
YEAR ENDED DECEMBER 31, 2004**

14. COMMITMENTS AND CONTINGENCIES

- a) At December 31 2004, the Company had outstanding contingent liabilities and commitments in the form of letters of guarantee amounting to SAR 139,334,819 and (2003 and 2002: SAR 96,926,825 and SAR 86,134,956, respectively).

The letters of guarantee were issued by local banks against cash deposits amounting to SAR 2,331,443 in 2004 (2003 and 2002: SAR 381,575 and SAR 136,177, respectively) (Note 4).

- b) The expense of operating leases for the year ended December 31, 2004 amounted to SAR 19,909,068 (2003 and 2002: SAR 12,793,976 and SAR 7,926,997, respectively), which is included in the cost of revenues.

The Company has commitments under these operating leases as follows:

	(Notes 2 & 5)		
	2004	2003	2002
	SAR	SAR	SAR
Within one year	22,524,680	16,682,000	10,392,500
More than one year	131,617,000	105,184,000	54,490,000

15. FAIR VALUES

The fair values of the Company's assets and liabilities approximate their carrying amounts, except for the fully depreciated trucks, which were valued by independent distributors of commercial trucks, as further discussed in the accompanying Note 6.

8. Interim Financial Statements

The interim audited financial statements as at and for the six months ended 30 June 2005 and 2004 and the notes thereto incorporated in the Prospectus have been included herein in reliance on the report of Deloitte & Touche Bakr Abulhair & Co, independent auditors of Aldrees for the above stated period.

AUDITORS' REPORT

To the shareholders
Aldrees Petroleum and Transport Services Company Ltd.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
Riyadh, Saudi Arabia

We have audited the accompanying balance sheet of Aldrees Petroleum and Transport Services Company Ltd. (a Saudi limited liability company) as of June 30, 2005, and the related statements of income, shareholders' equity and cash flows for the six month period then ended, and notes 1 to 14 which form an integral part of these financial statements as prepared by the Company in accordance with Article 175 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 standards 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 financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2005, and the results of its operations and its cash flows for the six month period 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.

Bakr A. Abulkhair
License No. 101
Jumad Al Thani 12, 1426
July 18, 2005

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

BALANCE SHEET
AS OF JUNE 30, 2005

	Note	June 30, 2005 SAR	June 30, 2004 SAR
ASSETS			
Current assets			
Cash and bank balances		3,099,419	9,822,102
Accounts receivable		53,725,793	48,704,887
Unbilled revenue		16,242,364	13,022,293
Inventories	3	6,563,953	5,688,430
Prepaid expenses and other assets	4	37,966,900	30,054,592
Total current assets		117,598,429	107,292,304
Non-current assets			
Due from an affiliate	5	19,584,616	39,006,315
Property and equipment	6	177,140,375	164,317,142
TOTAL ASSETS		314,323,420	310,615,761
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables		81,132,622	103,703,594
Accrued expenses and other liabilities	7	19,494,538	17,633,960
Zakat provision	8	1,319,231	400,047
Total current liabilities		101,946,391	121,737,601
Non-current liabilities			
End-of-service indemnities		10,223,485	7,329,534
Shareholders' equity			
Share capital	1	200,000,000	100,000,000
Statutory reserve	9	2,153,544	857,614
General reserve		-	40,000,000
Shareholders' current account		-	15,125,000
Retained earnings	10	-	25,566,012
Total shareholders' equity		202,153,544	181,548,626
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		314,323,420	310,615,761

The accompanying notes form an integral part of this financial statement.

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

STATEMENT OF INCOME
SIX MONTH PERIOD ENDED JUNE 30, 2005

	Note	For the six month period ended June 30, 2005 SAR	For the six month period ended June 30, 2004 SAR
Revenues		380,193,795	291,872,504
Cost of revenues		(347,684,364)	(263,955,416)
Gross profit		32,509,431	27,917,088
Selling expenses	11	(783,755)	(720,993)
General and administrative expenses	12	(10,657,077)	(7,631,743)
Operating income		21,068,599	19,564,352
Finance charges on letters of guarantee		(577,917)	(312,347)
Other income, net		1,644,754	571,606
Income before zakat		22,135,436	19,823,611
Zakat	8	(600,000)	(516,270)
NET INCOME		21,535,436	19,307,341

The accompanying notes form an integral part of this financial statement.

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

STATEMENT OF SHAREHOLDERS' EQUITY
SIX MONTH PERIOD ENDED JUNE 30, 2005

	Note	For the six month period ended June 30, 2005 SAR	For the six month period ended June 30, 2004 SAR
Share capital	1		
Balance, January 1		100,000,000	100,000,000
Transfer from additional capital		100,000,000	-
Balance, June 30		200,000,000	100,000,000
Additional capital	1		
Balance, January 1		100,000,000	-
Transfer to share capital		(100,000,000)	-
Balance, June 30		-	-
Statutory reserve	1 and 9		
Balance, January 1		-	857,614
Transfer from retained earnings		2,153,544	-
Balance, June 30		2,153,544	857,614
General reserve	1		
Balance, January 1		-	40,000,000
Balance, June 30		-	40,000,000
Shareholders' current account	1		
Balance, January 1		-	-
Cash contribution by shareholders		-	15,125,000
Balance, June 30		-	15,125,000
Retained earnings	1 and 10		
Balance, January 1		39,807	6,258,671
Net income for the period		21,535,436	19,307,341
Dividends		(19,421,699)	-
Transfer to statutory reserve		(2,153,544)	-
Balance, June 30		-	25,566,012
TOTAL SHAREHOLDERS' EQUITY		202,153,544	181,548,626

The accompanying notes form an integral part of this financial statement.

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

STATEMENT OF CASH FLOWS
SIX MONTH PERIOD ENDED JUNE 30, 2005

	For the six month period ended June 30, 2005 SAR	For the six month period ended June 30, 2004 SAR
OPERATING ACTIVITIES		
Net income	21,535,436	19,307,341
Adjustments for:		
Depreciation	4,205,540	2,803,737
Gains from sale of property and equipment	(1,579,370)	(540,716)
Zakat provision	600,000	516,270
Changes in operating assets and liabilities:		
Accounts receivable	5,201,028	(254,755)
Unbilled revenue	(1,981,811)	(7,962,076)
Inventories	(208,642)	(1,790,164)
Prepaid expenses and other assets	(7,352,413)	(9,423,755)
Trade payables	(12,496,259)	24,175,738
Accrued expenses and other liabilities	1,725,390	1,468,538
End-of-service indemnities	2,095,123	1,251,178
Zakat paid	(197,086)	-
Net cash from operating activities	11,546,936	29,551,336
INVESTING ACTIVITIES		
Purchase of property and equipment	(11,929,947)	(38,501,970)
Proceeds from sale of property and equipment	3,195,130	1,156,528
Net cash used in investing activities	(8,734,817)	(37,345,442)
FINANCING ACTIVITIES		
Cash contribution by shareholders	-	15,125,000
Net cash from financing activities	-	15,125,000
Net change in cash and bank balances	2,812,119	7,330,894
Cash and bank balances, January 1	287,300	2,491,208
CASH AND BANK BALANCES, JUNE 30	3,099,419	9,822,102
Non-cash item:		
Declared dividends (Notes 5 and 10)	(19,421,699)	-

The accompanying notes form an integral part of this financial statement.

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
SIX MONTH PERIOD ENDED JUNE 30, 2005

1. ORGANIZATION AND ACTIVITIES

Aldrees Petroleum and Transport Services Company Ltd. ("The Company") is a Saudi limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010002475 issued in Riyadh on 13 Rabie Al- Thani 1382 H (Corresponding to September 12, 1962) as Mohammed Saad Aldrees and Sons Company Ltd.

During December 2004, the shareholders resolved to change the Company's name from Mohammed Saad Aldrees and Sons Company Ltd. to Aldrees Petroleum and Transport Services Company Ltd. The legal procedures relating to this change were completed during 2004.

The Company's objects, as per its commercial registration, includes retail and wholesale trading of fuel, lubricants, vehicle spare parts, tires and batteries and the transportation of goods using highways, operating vehicle workshops and car washes and acquisition of land to construct buildings for sale or lease for the interest of the Company.

During December 2004, the shareholders resolved to increase the Company's share capital from SAR 100 million to SAR 200 million by transferring SAR 4,637,466, SAR 40,000,000, SAR 15,125,000 and SAR 40,237,534 from statutory reserve, general reserve, shareholders' current account and retained earnings, respectively. The legal procedures regarding these changes were completed during 2005.

The share capital amounting to SAR 200 million consists of 4,000,000 shares of SAR 50 each distributed among the shareholders as of June 30, 2005, as follows:

Name	%	No. of shares	Share capital SAR
Mr. Hamad Mohammed Aldrees	25.50	1,019,304	50,965,200
Mr. Abdulmohsen Mohammed Aldrees	25.50	1,019,304	50,965,200
Heirs of Saad Mohammed Aldrees	13.90	555,920	27,796,000
Heirs of Mohammed Saad Aldrees	23.60	944,096	47,204,800
Heirs of Abdullah Mohammed Aldrees	11.50	461,376	23,068,800
	100.00	4,000,000	200,000,000

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SIX MONTH PERIOD ENDED JUNE 30, 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost and accrual basis conventions.

Revenue recognition

Revenue from sales is recognized when goods are delivered and services are rendered to customers.

Unbilled revenue

Unbilled revenue represents revenue earned but not yet billed at the balance sheet date.

Expenses

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

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

Inventories

Inventories are stated at the lower of cost or estimated net realizable value. Cost is determined using the weighted average cost method. Appropriate provision is made for obsolete and slow moving inventories, if required.

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SIX MONTH PERIOD ENDED JUNE 30, 2005

Property and equipment

Property 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. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease. The estimated rates of depreciation of the principal classes of assets are as follows:

Buildings	3%
Leasehold improvements	Lease period
Machinery and equipment	10%
Furniture and fixtures	10%
Trucks	7.14% with 20% salvage value
Vehicles	25%
Computers	25%
Tools	12%

Unearned revenue

Unearned revenue represents the amounts on prepaid petrol cards issued by the Company that have not been utilized by customers at the balance sheet date.

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 are included in the statement of income.

End-of-service indemnities

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

Zakat

The Company is subject to the Regulations of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided on an accrual basis. The zakat charge is computed on the zakat base. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SIX MONTH PERIOD ENDED JUNE 30, 2005

3. INVENTORIES

	June 30, 2005	June 30, 2004
	SAR	SAR
Fuel and lubricants	5,341,902	4,505,672
Spare parts	1,222,051	1,182,758
	6,563,953	5,688,430

4. PREPAID EXPENSES AND OTHER ASSETS

	June 30, 2005	June 30, 2004
	SAR	SAR
Prepaid expenses	30,380,562	24,621,192
Receivables due from employees	4,517,176	4,421,172
Cash deposits on letters of guarantee	1,297,944	44,887
Other	1,771,218	967,341
	37,966,900	30,054,592

5. DUE FROM AN AFFILIATE

During June 2004, the Company entered into an agreement with an affiliated company, Mohammed Saad Aldrees' Sons Company Holdings, whereby the Company transferred (i.e. spin-off) effective January 1, 2004, the operations including the related assets and liabilities of the following six non petroleum services and non transport branches to the affiliated company at its book value:

- ❖ Saudi American Glass Factory
- ❖ Tools and Equipment
- ❖ Aldrees International Contracting Supply
- ❖ Agricultural and Irrigation
- ❖ Metals
- ❖ Car Rental

The above transfer of net assets at book value resulted in an amount due from the affiliated company of SAR 39,006,315 at January 1, 2004, of which SAR 19,421,699 was settled during the six month period ended June 30, 2005. The legal procedures relating to the transfer agreement were completed during 2005.

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SIX MONTH PERIOD ENDED JUNE 30, 2005

6. PROPERTY AND EQUIPMENT

	Land SAR	Buildings SAR	Leasehold improvements SAR	Machinery and equipment SAR	Furniture and fixtures SAR	Trucks and vehicles SAR	Computers SAR	Tools SAR	Total SAR
Cost									
January 1, 2005	68,345,499	27,332,969	7,900,091	4,760,729	2,561,455	167,030,981	6,944,514	4,315,257	289,191,495
Additions	-	484,229	4,386,352	623,923	517,939	4,722,603	909,359	285,542	11,929,947
Disposals	-	-	-	-	(16,002)	(13,323,440)	(583,544)	-	(13,922,986)
Transfers/reclassifications	-	-	-	2,929,511	-	370,312	(3,573,055)	273,232	-
June 30, 2005	68,345,499	27,817,198	12,286,443	8,314,163	3,063,392	158,800,456	3,697,274	4,874,031	287,198,456
Depreciation									
January 1, 2005	-	9,194,087	2,248,487	3,399,565	944,743	96,218,895	2,663,361	3,490,629	118,159,767
Charge for the year	-	389,812	535,552	306,693	204,298	2,496,579	199,289	73,317	4,205,540
Disposals	-	-	-	-	(3,899)	(12,116,755)	(186,572)	-	(12,307,226)
Transfers/reclassifications	-	-	-	1,015,802	-	-	(1,311,328)	295,526	-
June 30, 2005	-	9,583,899	2,784,039	4,722,060	1,145,142	86,598,719	1,364,750	3,859,472	110,058,081
Net Book value									
June 30, 2005	68,345,499	18,233,299	9,502,404	3,592,103	1,918,250	72,201,737	2,332,524	1,014,559	177,140,375
June 30, 2004	67,445,499	17,709,170	2,357,398	1,114,462	1,137,674	69,866,374	1,197,129	3,489,436	164,317,142

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SIX MONTH PERIOD ENDED JUNE 30, 2005

Depreciation expense has been allocated during the six month periods ended June 30, 2005 and 2004 as follows:

	June 30, 2005	June 30, 2004
	SAR	SAR
Cost of revenues	3,638,733	2,272,580
General and administrative expense (Note 12)	566,807	531,157
	4,205,540	2,803,737

The Company has fully depreciated tractor heads and trailers (i.e. trucks) still in service at June 30, 2005 with a total cost of SAR 63.8 million. During 2004, the Company obtained from independent distributors of commercial trucks the estimated fair values of the fully depreciated trucks, which amounted to SAR 29.4 million. Such amount was not reflected in the accompanying financial statements.

7. ACCRUED EXPENSES AND OTHER LIABILITIES

	June 30, 2005	June 30, 2004
	SAR	SAR
Unearned revenues	11,386,867	10,464,928
Accrued expenses	5,056,318	6,249,168
Accrued employees' salaries	2,155,106	-
Other	896,247	919,864
	19,494,538	17,633,960

8. ZAKAT PROVISION

The movement in zakat provision is as follows:

	June 30, 2005	June 30, 2004
	SAR	SAR
Balance, January 1	916,317	(116,223)
Provision for the period	600,000	516,270
Payments during the period	(197,086)	-
Balance, June 30	1,319,231	400,047

The estimated zakat provision for the six month periods ended June 30, 2005 and June 30, 2004 amounted to SAR 600,000 and SAR 516,270, respectively.

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SIX MONTH PERIOD ENDED JUNE 30, 2005

The Company has filed its financial statements and zakat returns for the years 2003 and 2004 with the Department of Zakat and Income Tax and has not yet received the related final zakat assessments. Management believes that adequate provision has been made for zakat and any zakat liability that may arise will not have a material effect on the Company's financial statements.

The Company has received the final zakat certificates for the years up to 2002.

9. 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 (see Note 1).

10. DIVIDENDS

During June 2005, the Company's shareholders resolved to distribute dividends of SAR 19,421,699.

11. SELLING EXPENSES

	For the six month period ended June 30, 2005	For the six month period ended June 30, 2004
	SAR	SAR
Sales commissions and promotions	662,255	422,750
Advertising	121,500	298,243
	783,755	720,993

ALDREES PETROLEUM AND TRANSPORT SERVICES COMPANY LTD.
(Formerly known as Mohammed Saad Aldrees and Sons Company Ltd.)
(LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SIX MONTH PERIOD ENDED JUNE 30, 2005

12. GENERAL AND ADMINISTRATIVE EXPENSES

	For the six month period ended June 30, 2005	For the six month period ended June 30, 2004
	SAR	SAR
Salaries and other benefits	8,049,659	4,924,961
Depreciation	566,807	531,157
Utilities	246,198	181,491
Travel expense	60,386	83,491
Printing and stationery	127,530	108,219
Audit fees	42,501	36,252
Maintenance	198,271	330,409
Other	1,365,725	1,435,763
	10,657,077	7,631,743

13. COMMITMENTS AND CONTINGENCIES

- a) At June 30, 2005, the Company had outstanding contingent liabilities and commitments in the form of letters of guarantee amounting to SAR 123,464,665 (2004: SAR 109,816,471).

The letters of guarantee were issued by local banks against cash deposits amounting to SAR 1,297,944 in 2005 (2004: SAR 44,887) (Note 4).

- b) The expense of operating leases for the six month period ended June 30, 2005 amounted to SAR 11,200,224 (2004: SAR 8,443,086), which is included in the cost of revenues.

The Company has commitments under these operating leases as follows:

	June 30, 2005	June 30, 2004
	SAR	SAR
Within one year	26,325,800	19,324,400
More than one year	153,827,838	112,917,012

14. FAIR VALUES

The fair values of the Company's assets and liabilities approximate their carrying amounts, except for the fully depreciated trucks, which were valued by independent distributors of commercial trucks, as further discussed in the accompanying (Note 6).

9. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of Aldrees' financial condition and results is based upon and should be read in conjunction with the audited financial statements as at and for the years ended 31 December 2004, 2003 and 2002 and the notes thereto, and the interim audited financial statements as at and for the six months ended 30 June 2005 and 2004 and the notes thereto, each of which have been audited by Deloitte & Touche Baker Abulhair & Co.

The Management's Discussion and Analysis of Financial Condition and Results of Operations section contains forward-looking statements that involve risks and uncertainties. Actual results for the Company could differ materially from those contemplated by these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly in the "Risk Factors" section.

9.1 Directors' Declaration for Financial Information

The Directors declare that the financial information presented in the Prospectus are extracted without material change from the Audited Financial Statements and that the Audited Financial Statements have been prepared in accordance with SOCPA Accounting Standards.

The Directors further declare that there has been no material adverse change in the financial or trading position of the Company during the last three years 2004, 2003 and 2002, in addition to the period from 1 January 2005 to and including the date of the Prospectus.

9.2 Results of Operations

The following tables summarize the audited income statements for the fiscal years ending 31 December 2002, 2003 and 2004 and the interim audited financial statements as at and for the six months ended 30 June 2004 and 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Exhibit 9-1: Income Statements (SAR '000)

	Six Months Ended 30 June		Year Ended 31 December		
	2005	2004	2004	2003	2002
Revenues	380,194	291,872	622,547	502,943	374,886
Cost of revenues	(347,685)	(263,955)	(566,728)	(467,734)	(347,091)
Gross profit	32,509	27,917	55,819	35,209	27,795
Selling expenses	(784)	(721)	(1,949)	(841)	(668)
General & administration expenses	(10,657)	(7,632)	(15,547)	(13,360)	(9,380)
Operating income	21,068	19,564	38,323	21,008	17,747
Finance charges on letters of guarantee	(578)	(312)	(761)	(473)	(301)
Other income, net	1,645	572	1,269	554	1,003
Income before Zakat	22,135	19,824	38,831	21,089	18,449
Zakat	(600)	(517)	(1,033)	(470)	(404)
Net income	21,535	19,307	37,798	20,619	18,045

Source: Audited Financial Statements

Exhibit 9-2: Income Statements as a Percentage of Revenues

	Six Months Ended 30 June		Year Ended 31 December		
	2005	2004	2004	2003	2002
Revenues	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of revenues	91.45%	90.44%	91.03%	93.00%	92.59%
Gross profit	8.55%	9.56%	8.97%	7.00%	7.41%
Selling expenses	0.21%	0.25%	0.31%	0.17%	0.18%
General & administration expenses	2.80%	2.61%	2.50%	2.66%	2.50%
Operating income	5.54%	6.70%	6.16%	4.18%	4.73%
Finance charges on letters of guarantee	0.15%	0.11%	0.12%	0.09%	0.08%
Other income, net	0.43%	0.20%	0.20%	0.11%	0.27%
Income before Zakat	5.82%	6.79%	6.24%	4.19%	4.92%
Zakat	0.16%	0.18%	0.17%	0.09%	0.11%
Net income	5.66%	6.61%	6.07%	4.10%	4.81%

Source: Audited Financial Statements

Revenues in 2004 were SAR 622.5 million compared to SAR 502.9 million in 2003. This 24% growth of total revenues is attributable to the growth in the number of gas stations to 108 by 2004 and to the rapid expansion in transport division business.

Exhibit 9-3: Number of Gas Stations

	Six Months Ended 30 June		Year Ended 31 December		
	2005	2004	2004	2003	2002
Gas stations	119	91	108	75	55

Source: Aldrees

Petroleum services accounted for 88% of 2004 revenues and transport services accounted for 12%.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Exhibit 9-4: Breakdown of Revenues (SAR '000)

	Six Months Ended 30 June		Year Ended 31 December		
	2005	2004	2004	2003	2002
Revenues					
Petroleum	339,935	252,296	545,863	434,463	316,820
Transport	40,259	39,577	76,684	68,480	58,066
Total	380,194	291,873	622,547	502,943	374,886
% of Revenues					
Petroleum	89.41%	86.44%	87.68%	86.38%	84.51%
Transport	10.59%	13.56%	12.32%	13.62%	15.49%
Total contribution	100.00%	100.00%	100.00%	100.00%	100.00%
Growth Rate					
Petroleum	34.74%	-	25.64%	37.13%	-
Transport	1.72%	-	11.98%	17.93%	-
Total	30.26%		23.78%	34.16%	-

Source: Aldrees

9.2.1 Revenues

Petroleum Division

The Government sets the retail price for fuel in the Kingdom, which is compulsory for sales through gas stations. However, the selling price may be less for contracted businesses taking into account competition with rivals.

Cash revenue of petroleum division represented 55% of 2004 petroleum revenues compared to 45% in 2003. This increase was a result of the continuing expansion of the Company's widely located gas stations network.

Exhibit 9-5: Petroleum Revenue Breakdown (SAR '000)

	Six Months Ended 30 June		Year Ended 31 December		
	2005	2004	2004	2003	2002
Petroleum Revenue					
Cash	210,263	133,221	301,037	195,456	130,195
Credit	129,672	119,075	244,827	239,007	186,625
Total	339,935	252,296	545,864	434,463	316,820
% of Petroleum Revenue					
Cash	61.85%	52.80%	55.15%	44.99%	41.09%
Credit	38.15%	47.20%	44.85%	55.01%	58.91%
Total	100.00%	100.00%	100%	100%	100%
Growth rate					
Cash Sales					
Premium gasoline	58.23%	-	48.30%	50.92%	-
Premium gasoline prepaid cards	-	-	189.50%	140.59%	-
Diesel	54.26%	-	200.07%	-1.32%	-
Diesel prepaid cards	-	-	21.50%	5.03%	-
Credit Sales					
Premium gasoline	-10.93%	-	-2.07%	36.52%	-
Diesel	36.01%	-	12.58%	18.05%	-
Consolidated					
Premium gasoline	33.15%	-	27.66%	44.76%	-
Diesel	38.26%	-	22.29%	16.80%	-

Source: Aldrees

Credit revenue is primarily generated through fuel supply contracts with Government and private entities.

Credit revenue increased by 2.4% to SAR 244.8 million in 2004 but represented a lower portion of overall revenue of petroleum division, the decrease in credit portion from 55% in 2003 to 45% in 2004 reflects Company's success in implementing its strategy aiming at achieving a target ratio of 75/25 cash to credit revenue. This strategy has the following objectives:

- ▶ reducing the conversion cycle of overall receivables due to the higher proportion of cash sales to overall revenues;
- ▶ eliminating dependence on contracts to sustain revenues;
- ▶ expanding gas station network and market share compared to competitors; and
- ▶ increasing gross profit margin from cash sales

Transport Division

Transport division's revenue increased to SAR 76.7 million in 2004. Revenues generated from hauling to SABIC represented 35% of total transport revenue.

Exhibit 9-6: Transport Revenue Breakdown (SAR '000)

	Six Months Ended 30 June		Year Ended 31 December		
	2005	2004	2004	2003	2002
Transport Revenue					
Chemicals - SABIC	12,608	13,689	26,630	25,591	23,495
Chemicals - Other	1,786	1,303	2,861	2,045	2,745
Barley	12,278	10,664	17,721	20,084	17,642
Base oil	4,742	3,858	8,707	7,231	7,805
Bulk sugar	1,068	878	1,833	1,227	1,553
Fuel	2,528	1,749	1,217	2,125	2,566
Rental of tractor heads and fuel tankers	5,249	7,435	17,715	10,177	2,260
Total	40,259	39,576	76,684	68,480	58,066
% of Transport Revenue					
Chemicals - SABIC	31.31%	34.59%	34.73%	37.37%	40.46%
Chemicals - Other	4.43%	3.29%	3.73%	2.99%	4.73%
Barley	30.51%	26.94%	23.11%	29.33%	30.38%
Base oil	11.78%	9.75%	11.35%	10.56%	13.44%
Bulk Sugar	2.65%	2.22%	2.39%	1.79%	2.68%
Fuel	6.28%	4.42%	1.59%	3.10%	4.42%
Rental of tractor heads and fuel tankers	13.04%	18.79%	23.10%	14.86%	3.89%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Aldrees

The reduction in the percentage contribution of SABIC hauling business from 37% in 2003 to 35% in 2004 resulted from the expansion in the level of revenue contribution from other sources including rental of tractor heads and fuel tankers.

Revenue from barley hauling constituted 23% of transport division revenues in 2004. Aldrees estimates that total barley imports into the Kingdom was 6 million tons during 2004. The total hauling of the Company's transport division was approximately 2.7 million tons, which represented 45% of the total barley imports into Kingdom.

Barley hauling from the seaports of Dammam and Jubail started in November 2004 while barley hauling from the ports of Jeddah, Jizan and Yanbu started since 1997. The Management expects that the annual tonnage hauled by transport division for barley in 2005 will increase to 3.7 million tons as a result of increasing imports from the seaports of Dammam and Jubail.

Revenue from fuel hauling decreased from SAR 2.1 million in 2003 to SAR 1.2 million in 2004, due to growth in rental of equipment during the same period. Nonetheless, the Company anticipates that revenue from fuel hauling will improve in 2005 and estimates total operations to reach SAR 5.20 million by 2005.

Revenue from other transport operations (mainly flatbeds) and renting tractor heads and fuel tankers increased to SAR 17.7 million in 2004 from SAR 10.2 million in 2003. Renting of tractor heads and fuel tankers relates mainly to the execution of a contract in Kuwait starting in 2003. The contract calls for rental of tankers and tractor heads only, excluding operations and drivers. It has generated revenue of SAR 7.5 million in 2003 and SAR 14.3 million in 2004.

9.2.2 Sales Volumes and Prices

Petroleum Division

Exhibit 9-7: Revenues by Volume Sales (Litres '000)

	Six Months Ended 30 June		Year Ended 31 December		
	2005	2004	2004	2003	2002
Sales					
Cash Sales					
Premium gasoline	214,392	135,495	298,026	200,968	133,158
Premium gasoline prepaid cards	-	-	8,769	3,029	1,259
Diesel	28,121	18,230	40,066	13,352	13,530
Diesel prepaid cards	-	-	1,650	1,358	1,293
Total	242,513	153,725	348,511	218,707	149,240
Credit Sales					
Premium gasoline	68,640	77,067	152,721	155,951	114,234
Diesel	176,995	130,130	275,223	244,463	207,077
Total	245,635	207,197	427,944	400,414	321,311
Consolidated					
Premium	283,032	212,562	459,516	359,948	248,651
Diesel	205,116	148,360	316,939	259,173	221,900

Source: Aldrees

Exhibit 9-8: Fuel Prices (Halalas per liter)

	Premium Gas	Diesel
Saudi Aramco wholesale price	82.75	33.50
Maximum retail price	90.00	37.00

Source: Aldrees

Contracts for the supply of fuel to customers are designed in such a manner that in the event Saudi Aramco increases wholesale selling price, contract prices correspondingly increase. Total premium gasoline sales volume growth rate was 28% and 45% in 2004 and 2003, respectively. Diesel sales volume growth rate was 22% and 17% by 2004 and 2003, respectively. This growth is due to the increase in the quantities sold by petroleum gas stations network, as well as the significant increments in contract deliveries.

Transport Division

Exhibit 9-9: Transport Volume Hauled (Tons '000)

	Six Months Ended 30 June		Year Ended 31 December		
	2005	2004	2004	2003	2002
Volume Hauled					
Chemicals (SABIC)	129	131	276	248	242
Chemicals (Non-SABIC)	36	28	55	37	57
Base oil	76	67	146	120	126
Bulk sugar	32	25	54	37	47
Barley grain	1,885	1,630	2,724	3,197	2,761
Fuel	276	65	131	184	212
Others	58	7	50	45	35
Total	2,492	1,953	3,436	3,868	3,480

Source: Aldrees

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Barley grain was the largest commodity hauled by transport division in terms of volume during 2004. The volume of barley hauling is expected to grow in 2005 in view of the perceived general growth in the market. Except for barley and fuel, all other sectors had a growth in volume hauled during 2004 in comparison to 2003.

9.2.3 Operating Income

Exhibit 9-10: Operating Income (SAR '000)

	Six Months Ended 30 June		Year Ended 31 December		
	2005	2004	2004	2003	2002
Revenues	380,194	291,872	622,547	502,943	374,886
Cost of revenues	(347,685)	(263,955)	(566,728)	(467,734)	(347,091)
Gross profit	32,509	27,917	55,819	35,209	27,795
Selling expenses	(784)	(721)	(1,949)	(840)	(668)
General & administrative expenses	(10,657)	(7,632)	(15,547)	(13,360)	(9,380)
Operating Income	21,068	19,564	38,323	21,009	17,747
% of sales	5.54%	6.70%	6.16%	4.18%	4.74%

Source: Audited Financial Statements

During the last three years, petroleum division contributed an average of 86% of total revenue whereas transport division contributed 14%. Operating income increased by 18% in 2003 to SAR 21.0 million and by 82% in 2004 to SAR 38 million.

During the last two years, operating income of the Company increased by an average of 50% per annum mainly due to the growth in transport division revenue, which increased to SAR 76.7 million in 2004 compared to SAR 68.5 million in 2003.

The expansion in gas stations network is another major driver of the increased operating income in 2004. Cash sales of petroleum services grew by 54% from SAR 195 million in 2003 to SAR 301 million in 2004. This growth in cash sales signified a larger contributing margin than credit sales.

9.2.4 Cost of Revenues

Exhibit 9-11: Cost of Revenue (SAR '000)

	Six Months Ended 30 June		Year Ended 31 December		
	2005	2004	2004	2003	2002
Cost of Revenue					
Petroleum	323,358	240,277	519,114	416,726	300,391
Transport	24,326	23,679	47,614	51,008	46,700
Consolidated	347,684	263,956	566,728	467,734	347,091
% of Revenue¹⁶					
Petroleum	95.12%	95.24%	95.10%	95.92%	94.81%
Transport	60.42%	59.83%	62.09%	74.49%	80.43%
Consolidated	91.45%	90.43%	91.03%	93.00%	92.59%

Source: Aldrees

¹⁶ Cost of revenue divided by respective revenue of each division.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cost of revenue increased to SAR 467.8 million in 2003 and to SAR 566.7 million in 2004 as a result of the growth in revenue. Gross profit margin increased to 9.0% in 2004 from 7.0% in 2003 and 7.4% in 2002.

Petroleum Division

Exhibit 9-12: Cost of Revenue - Petroleum (SAR '000)

	Six Months Ended 30 June		Year Ended 31 December		
	2005	2004	2004	2003	2002
Cost of fuel products	305,437	227,297	487,781	396,105	287,148
Direct labor cost	3,221	2,303	5,555	3,705	2,571
Indirect labor cost	534	519	1,482	699	462
Depreciation – vehicles	128	110	223	392	179
Depreciation – equipment	872	723	1,640	1,191	760
Operating expenses	283	276	810	524	326
Rental expenses	11,765	8,443	19,909	12,794	7,927
Other expenses	536	169	400	483	413
Repair and maintenance	153	138	365	139	180
Utilities	429	299	949	694	425
Total Cost of Revenues	323.358	240.277	519,114	416,726	300,391
% of Total					
Cost of fuel products	94.46%	94.60%	93.96%	95.05%	95.59%
Direct labor cost	1.00%	0.96%	1.07%	0.89%	0.86%
Indirect labor cost	0.16%	0.22%	0.28%	0.17%	0.15%
Depreciation – vehicles	0.04%	0.05%	0.04%	0.09%	0.06%
Depreciation – equipment	0.27%	0.30%	0.32%	0.29%	0.25%
Operating expenses	0.09%	0.11%	0.16%	0.13%	0.11%
Rental expenses	3.64%	3.51%	3.84%	3.07%	2.64%
Other expenses	0.17%	0.07%	0.08%	0.11%	0.14%
Repair and maintenance	0.04%	0.06%	0.07%	0.03%	0.06%
Utilities	0.13%	0.12%	0.18%	0.17%	0.14%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Aldrees

Cost of fuel products purchased from Saudi Aramco constitutes the major element of cost of revenue for petroleum division. Cost of fuel represented, on average, 95% of the total cost for the last three years.

Rental expenses relate to gas stations rented from owners. Rental expenses increased from SAR 7.9 million in 2002 to SAR 19.9 million in 2004. This increase is attributable to the increase in number of gas stations from 55 in 2002 to 108 in 2004.

Direct labor cost relating to gas station operations comprised SAR 5.6 million in 2004 or 1.07% of the total cost of revenues.

Transport Division

Exhibit 9-13: Cost of Revenue - Transport (SAR '000)

	Six Months Ended 30 June		Year Ended 31 December		
	2005	2004	2004	2003	2002
Workshop materials	4,386	5,326	10,920	10,976	8,729
Sub-contractors fees	196	1,060	1,160	2,269	6,111
Salaries and benefits	11,219	10,627	21,561	20,378	17,483
Depreciation	2,085	1,197	3,289	7,162	5,418
Insurance expense	1,107	645	1,786	1,100	961
Fuel and lubricants	4,860	4,339	8,198	8,210	7,583
Outside repairs	472	485	700	913	415
Total Cost of Revenues	24,325	23,679	47,614	51,008	46,700
% of Total					
Workshop materials	18.03%	22.49%	22.93%	21.52%	18.69%
Sub-contractors fees	0.81%	4.48%	2.44%	4.45%	13.09%
Salaries and benefits	46.12%	44.88%	45.28%	39.95%	37.44%
Depreciation	8.57%	5.06%	6.91%	14.04%	11.60%
Insurance expense	4.55%	2.72%	3.75%	2.15%	2.06%
Fuel and lubricants	19.98%	18.32%	17.22%	16.10%	16.24%
Outside repairs	1.94%	2.05%	1.47%	1.79%	0.88%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Aldrees

Cost of transport division revenue decreased from SAR 51.0 million in 2003 to SAR 47.6 million in 2004 thereby reducing its contribution to division revenue from 74.5% in 2003 to 62.1% in 2004.

Salaries and benefits expenses were the largest component of cost of transport operations and relates to drivers and maintenance personnel cost. On average, salaries and benefits represented 41% of the cost in the last three years.

Total headcount of transport division was 830 in 2004 and 717 in 2003, out of which 595 were drivers in 2004 and 466 in 2003. Another major cost element of transport division is fuel and lubricants constituting an average of 16.5% of the total cost.

9.2.5 Selling Expenses

Exhibit 9-14: Selling Expenses (SAR '000)

	Six Months Ended 30 June		Year Ended 31 December		
	2005	2004	2004	2003	2002
Sales commissions and promotions	662.26	422.75	1,258.44	499.58	325.55
Advertising	121.50	298.24	690.17	340.97	342.21
Selling expenses	783.76	720.99	1,948.61	840.55	667.76

Source: Audited Financial Statements

Selling expenses mainly relate to promotional programs of petroleum division and other promotional items of transport division. Sales commissions and promotions increased from approximately SAR 500 thousand in 2003 to SAR 1.2 million in 2004 of which 95% related to petroleum division.

9.2.6 General and Administrative Expenses

Exhibit 9-15: General and Administrative Expenses (SAR '000)

	Six Months Ended 30 June		Year Ended 31 December		
	2005	2004	2004	2003	2002
Salaries and benefits	8,050	4,925	10,769	9,165	5,933
Depreciation	567	531	1,068	612	439
Utilities	246	181	849	1,141	758
Rent	-	-	83	108	45
Travel expenses	60	83	531	521	169
Printing and stationary	128	108	203	180	247
Audit fees	43	36	145	145	145
Maintenance	198	331	653	449	428
Other	1,366	1,436	1,246	1,039	1,216
Total	10,657	7,632	15,547	13,360	9,380
% of Total					
Salaries and benefits	75.54%	64.53%	69.27%	68.60%	63.25%
Depreciation	5.32%	6.96%	6.87%	4.58%	4.68%
Utilities	2.31%	2.37%	5.46%	8.54%	8.08%
Rent	-	-	0.53%	0.81%	0.48%
Travel expenses	0.56%	1.09%	3.42%	3.90%	1.80%
Printing and stationary	1.20%	1.42%	1.31%	1.35%	2.63%
Audit fees	0.40%	0.47%	0.93%	1.08%	1.55%
Maintenance	1.86%	4.34%	4.20%	3.36%	4.56%
Other	12.82%	18.82%	8.01%	7.78%	12.97%
Total	100.00%	100.00%	100.00	100.00%	100.00%

Source: Audited Financial Statements

Salaries and other benefits of administrative departments of the Company decreased slightly as a percentage of total revenue from 1.82% in 2003 to 1.73% in 2004. Management believes that this reflects the Company's efficiency as revenue increased by 24% in 2004. Salaries and other benefits constituted the major element of general and administrative expenses in the last three years representing an average of 67% of the total.

9.2.7 Net Income

Exhibit 9-16: Net Income (SAR '000)

	Six Months Ended 30 June		Year Ended 31 December		
	2005	2004	2004	2003	2002
Revenues	380,194	291,873	622,547	502,943	374,886
Cost of revenues	(347,684)	(263,955)	(566,728)	(467,733)	(347,091)
Gross profit	32,509	27,917	55,819	35,210	27,795
Operating income	21,069	19,564	38,323	21,009	17,747
Income before Zakat	22,135	19,824	38,831	21,089	18,449
Net income	21,535	19,307	37,799	20,619	18,045
% of Revenue					
Revenues	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of revenues	91.45%	90.43%	91.03%	93.00%	92.59%
Gross profit	8.55%	9.56%	8.97%	7.00%	7.41%
Operating income	5.54%	6.70%	6.16%	4.18%	4.73%
Income before Zakat	5.82%	6.79%	6.24%	4.19%	4.92%
Net income	5.66%	6.61%	6.07%	4.10%	4.81%

Source: Audited Financial Statements

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In absolute amounts, net income grew to SAR 20.6 million in 2003 and SAR 37.8 million in 2004. The growth in net income was mainly attributable to transport division, where net income of the division increased from SAR 10.8 million in 2003 to SAR 22.7 million in 2004.

Exhibit 9-17: Net Income by Division (SAR '000)

	Six Months Ended 30 June		Year Ended 31 December		
	2005	2004	2004	2003	2002
Petroleum division	9,435	6,499	15,049	9,734	10,289
Transport division	12,100	12,809	22,750	10,885	7,756
Total	21,535	19,307	37,799	20,619	18,045
% of Total					
Petroleum division	43.81%	33.66%	39.81%	47.21%	57.02%
Transport division	56.19%	66.34%	60.19%	52.79%	42.98%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Aldrees

The growth in net income of transport division in 2004 was as a result of the increase in revenues of the contracts signed to provide trucks to Kuwait. Revenues from the Kuwait contracts increased from SAR 7.5 million in 2003 to SAR 14.3 million in 2004. Other attributable factors to the growth of transport division's net income in 2004 was the reduction in depreciation expense of the transport fleet from SAR 7.2 million in 2003 to SAR 3.3 million in 2004, a reduction of SAR 3.9 million.

The reduction in depreciation expense was due to the change in depreciation policy from a 7-year straight line method to a 14-year straight line method with a salvage value of 20% of acquisition cost for new equipment (see discussion on "Fixed Assets").

Net income of petroleum division increased from SAR 9.7 million in 2003 to SAR 15.0 million in 2004. This increase was due to the expansion in the number of gas stations from 75 stations in 2003 to 108 stations in 2004.

9.3 Financial Condition, Liquidity and Other Items

Cash from operations is the main source of funds for the Company's growth, dividend payments and capital expenditures.

In 2004, cash balance was SAR 287,300, a decrease of SAR 2.2 million from 2003. This decrease is mainly attributable to lower operations cash flows and to an increase in the cash used in investing activities during 2004.

Exhibit 9-18: Cash Flows (SAR '000)

	Six Months Ended 30 June		Year Ended 31 December		
	2005	2004	2004	2003	2002
Provided by operating activities	11,547	29,551	32,126	53,673	51,055
(Used in) investing activities	(8,735)	(37,345)	(49,455)	(35,643)	(35,045)
Provided by (used in) financing activities	-	15,125	15,125	(17,405)	(17,631)
(Decrease) increase in cash	2,812	7,331	(2,204)	625	(1,621)
Cash at beginning of period	287	2,491	2,491	1,866	3,487
Cash at end of period	3,099	9,822	287	2,491	1,866

Source: Audited Financial Statements

9.3.1 Cash Flows from Operating Activities

Net cash flows provided by operating activities decreased from SAR 53.6 million in 2003 to SAR 32.1 million in 2004 as a result of the increase in accounts receivable.

Unbilled revenue has also increased from SAR 5.0 million to SAR 14.3 million. The increase in unbilled revenue represents revenue earned but not billed as of the balance sheet date.

Exhibit 9-19: Operating Cash Flows (SAR '000)

	Six Months Ended 30 June		Year Ended 31 December		
	2005	2004	2004	2003	2002
Net Income	21,535	19,307	37,798	20,619	18,045
Depreciation	4,206	2,803	8,469	9,356	6,825
Gains from sale of fixed assets	(1,579)	(540)	(810)	(274)	(712)
Provision for Zakat	600	516	1,032	470	404
Net changes in working capital	(13,215)	7,465	(14,363)	23,502	26,494
Net operating cash flows	11,547	29,551	32,126	53,673	51,056

Source: Audited Financial Statements

9.3.2 Cash Flows from Investing Activities

Net cash flows used in investing activities amounted to SAR 49.5 million in 2004 as may be compared to SAR 35.6 million in 2003, an increase of SAR 13.9 million due to additions of fixed assets.

Exhibit 9-20: Investing Cash Flows (SAR '000)

	Six Months Ended 30 June		Year Ended 31 December		
	2005	2004	2004	2003	2002
Capital expenditure	(11,930)	(38,502)	(52,180)	(37,226)	(40,053)
Proceeds from sale of fixed assets	3,195	1,157	2,725	1,583	5,008
Net investing cash flows	(8,735)	(37,345)	(49,455)	(35,643)	(35,045)

Source: Aldrees

Fixed Assets

Exhibit 9-21: Fixed Assets (SAR million)

	Land	Buildings	Leasehold improve- ment	Machinery	Furniture	Trucks	Com- puters	Tools	Total
<u>30 June 2005</u>									
Cost	68.3	27.8	12.2	8.3	3.1	158.8	3.7	4.9	287.1
Accumulated depreciation	-	9.5	2.8	4.7	1.1	86.6	1.4	3.9	110.0
Net book value	68.3	18.2	9.5	3.6	1.9	72.2	2.3	1.0	177.1
<u>31 Dec. 2004</u>									
Cost	68.3	27.3	7.9	4.8	2.6	167.0	7.0	4.3	289.2
Accumulated depreciation	-	9.2	2.2	3.4	0.9	96.2	2.7	3.5	118.1
Net book value	68.3	18.1	5.7	1.4	1.7	70.8	4.3	0.8	171.1
<u>31 Dec. 2003</u>									
Cost	67.4	26.5	1.7	3.9	2.6	132.0	4.6	4.0	242.7
Accumulated depreciation	-	8.4	-	3.1	1.5	95.0	1.9	3.5	113.4
Net book value	67.4	18.1	1.7	0.8	1.1	37.0	2.7	0.5	129.3
<u>31 Dec. 2002</u>									
Cost	62.0	17.3	-	3.8	2.4	116.3	3.1	3.6	208.5
Accumulated depreciation	-	8.3	-	3.0	1.3	88.4	1.4	3.4	105.8
Net book value	62.0	9.0	-	0.8	1.1	27.9	1.7	0.2	102.7

Source: Audited Financial Statements

The Company has fully depreciated tractor heads and trailers which are still in service as of 31 December 2004, the estimated fair values amounted to SAR 29.4 million as per independent distributors of commercial trucks. Such amount was not reflected in the Audited Financial Statements.

During 2004, the Company acquired additional equipment of SAR 35 million and relate to 120 units of Mercedes Actros tractor heads, 152 units of fuel tankers and 43 flat bed trailers which increased the total cost of trucks and trailers from SAR 132 million in 2003 to SAR 167 million in 2004.

Fixed assets include land and buildings amounting to SAR 15 million that were acquired from Abdulmohsen Bin Mohammad Aldrees, one of the shareholders, during December 2003. The acquisition price was determined based on appraisals conducted by two real estate offices in the Kingdom estimating the value of the land at SAR 15,150,000 and SAR 15,750,000.

The Company purchased a parcel of land during 2002 from Hamad Bin Mohammad Saad Aldrees, one of the shareholders, amounting to SAR 24.8 million and was credited to the concerned shareholder's current account. The acquisition price was determined based on appraisals conducted by two real estate offices in the Kingdom estimating the value of the land at SAR 28,355,658 and SAR 25,697,315.

The Company obtained a recent appraisals from Coldwell Banker Commercial - Abdullah Bin Saedan Real Estate for the two real estate purchased during 2002 and 2003. Coldwell Banker Commercial - Abdullah Bin Saedan Real Estate estimated the market value for the real estate purchased during 2002 at SAR 29,000,000 as of 1 October 2005; and the real estate purchased during 2003 at SAR 15,030,000 as of 10 October 2005.

Coldwell Banker Commercial - Abdullah Bin Saedan Real Estate is a joint venture between Bin Saedan Real Estate Group and Coldwell Banker International Company. Bin Saedan Real Estate Group is one of the leading real estate companies in the Kingdom and has been in operation for more than 70 years with focus on real estate activities. Coldwell Banker International is an international firm that manages and markets real estates through 3,500 international offices and 106,000 agents worldwide. It was established in 1906 in San

Francisco in the USA, with experience not limited to managing and marketing real estate, but also covering other specifics within real estate activities, such as consulting services, appraisals and valuations.¹⁷

On 22 December 2003, the shareholders resolved to change the estimated useful lives of the Company's trucks from 7 years (equivalent to a depreciation rate of 15% per year) to 14 years (equivalent to a depreciation rate of 7.14% per year) with an estimated salvage value of 20% to more closely approximate the economic lives of these assets. The salvage values of the trucks have been determined based on assessments obtained from independent distributors of commercial trucks. This change in estimate for useful lives of trucks is effective for the fiscal year beginning 1 January 2004. The effect of the above change in estimate was to decrease the depreciation expense of the trucks by SAR 5.8 million for the year ended 31 December 2004.

9.3.3 Cash Flows from Financing Activities

Net cash flows provided by financing activities was SAR 15.1 million in 2004. The net cash inflow provided by financing activities was due to cash contribution from the Selling Shareholders of SAR 15.1 million during 2004, which contributed to the increase of paid-up capital to SAR 200 million.

Exhibit 9-22: Financing Cash Flows (SAR '000)

	Six Months Ended 30 June		Year Ended 31 December		
	2005	2004	2004	2003	2002
Cash contributed by shareholders	-	15,125	15,125	-	-
Losses due to transfer of non-petrol and transport business	-	-	-	(12,043)	(4,803)
Dividends paid	-	-	-	(5,362)	(12,828)
Net financing cash flows	-	15,125	15,125	(17,405)	(17,631)

Source: Audited Financial Statements

Dividends

Declared dividends were SAR 12.8 million in 2002 and SAR 5.3 million in 2003. The Company elected not to pay dividends in the year 2004 due to the transfer of SAR 40.2 million of retained earnings to capital account. During June 2005, the Company's shareholders resolved to distribute dividends of SAR 19.4 million.

9.3.4 Working Capital

Working capital as of 30 June 2005 amounted to SAR 16 million as follows:

Exhibit 9-23: Working Capital as of 30 June 2005 (SAR)

Current assets	117,598,429
Current liabilities	(101,946,391)
Working Capital	15,652,038

Source: Audited Financial Statements

¹⁷ Coldwell Banker Commercial – Abdullah Bin Saedan Real Estate do not themselves, nor any of their relatives or officials have any shareholding or interest of any kind in the Company. In addition, Coldwell Banker Commercial – Abdullah Bin Saedan Real Estate have given and not withdrawn their written consent to the reference to the results of this real estate appraisal in the Prospectus.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The board of directors and the Company's management confirm that the Company has working capital sufficient for a period of 12 months following the date of this Prospectus.

9.3.5 Due from Affiliates

In June 2004, the Company entered into an agreement with an affiliated company – Mohammad Saad Aldrees' Sons Co. Holdings, whereby the Company transferred the operations including related assets and liabilities of the following six (6) non-petroleum and non-transport branches to the affiliated company at book value:

- ▶ Saudi American Glass Factory
- ▶ Tools and Equipment
- ▶ Aldrees International Contracting Supply
- ▶ Agricultural and Irrigation
- ▶ Metals
- ▶ Car Rental

The transfer of net assets at book value resulted in an amount due from the affiliated company of SAR 39 million at 1 January 2004. In June 2005, Mohammad Saad Aldrees' Sons Co. Holdings settled SAR 19.4 million to the Company. The balance of dues from affiliates was SAR 19.6 million as of 30 June 2005.

9.3.6 Commitments and Contingencies

Exhibit 9-24: Commitments and Contingencies (SAR '000)

	Six Months Ended 30 June		Year Ended 31 December		
	2005	2004	2004	2003	2002
Commitments	180,154	132,241	154,142	121,866	64,883
Contingencies	123,465	109,816	139,335	96,927	86,135

Source: Audited Financial Statements

The Company is required in relation to its contractual undertakings to provide bid bonds for new tenders, performance bonds for contracts awarded and payment guarantees – mainly to Saudi Aramco to secure the off-take of fuel products on credit basis. Payment guarantees in favor of Saudi Aramco amounted to SAR 49.8 million in 2002, SAR 69.8 million in 2003 and SAR 109.75 million in 2004. This increase is due to the expansion in the off-take of fuel products from nine (9) Saudi Aramco depots.

The remainder of contingent liabilities amounting to SAR 36.3 million in 2002, SAR 27.1 million in 2003 and SAR 29.6 million in 2004 relate mainly to performance bond issued for outstanding petroleum division contracts.

Outstanding commitments amounted to SAR 180 million in 30 June 2005 and specifically relate to long-term contracts values of the 115 leased gas stations. Out of the total commitment of SAR 180 million in 30 June 2005, SAR 26.3 million is short-term and is due within one year.

9.3.7 Update on Business Trend

Company's sales for the period from 1 January 2005 to 31 August 2005 amounted to SAR 509.3 million, whereas, gross profit amounted to SAR 41.9 million. Aldrees recognised SAR 27.8 million in operating income for the same period.

9.4 Statement of Management's Responsibility for Financial Information

The Management's Discussion and Analysis of Financial Condition and Results of Operations has been drafted by the Management of the Company and approved by the Board of Directors. Except as set forth in this Prospectus, the Management believes that there has been no material adverse change in the financial position or prospects of the Company since 30 June 2005 to date of the Prospectus and accepts full responsibility for the authenticity and accuracy of the information and analysis of financial results and confirms, after making all reasonable inquiries, that full and fair disclosure has been made and there are no other information or documents the omission of which make any information or statements therein misleading

In addition, the Management declares that there is no mortgages, rights, and charges on the Company's properties as of the date of this Prospectus.

10. Dividend Record and Policy

It is the intention of Aldrees to make annual dividend payments with a view to maximizing shareholder value commensurate with the Company's earnings, its financial condition, the condition of the markets, the general economic climate, and other factors, including analysis of investment opportunities and reinvestment needs, cash and capital requirements, business prospects, and the effect of such dividends on the Company's Zakat position, as well as other legal and regulatory considerations. Dividends will be distributed in Saudi Riyal.

The Company distributed dividends of SAR 19.4 million for the six months ended 30 June 2005, SAR 12.82 million and SAR 5.36 million for the years ended 31 December 2002 and 2003, respectively.

Although it is Aldrees' intention to pay annual dividends to its shareholders, the Company does not make any assurance that any dividend will actually be paid, nor any assurance as to the amount, which will be paid in any given year. The distribution of dividends is subject to certain limitations contained in the Company's Bylaws.

The Offer Shares will be entitled to receive dividends declared by the Company from the date of commencement of the Offering Period and subsequent fiscal years.

11. Capitalization and Indebtedness

The table below sets out the capitalization of Aldrees as derived from the interim audited financial statements as at and for the six months ended 30 June 2005. The following table should be read in conjunction with the Financial Statements and Interim Financial Statements of Aldrees, including the notes thereto, in the “Accountants Report” and “Interim Financial Statements” sections of the Prospectus.

Exhibit 11-1: Aldrees Capitalization

For the Six Months Ended 30 June 2005 (SAR '000)

Liabilities	
Short-term	101,946
Long-term	10,223
Total Liabilities	112,169
Shareholders' equity	
Share capital	200,000
Statutory reserve	2,153
Retained earnings	-
Total shareholders' equity	202,153
Total capitalization	314,322

Source: Aldrees

The Directors confirm that the Company does not have any debt instruments as of the date of the Prospectus apart from the commitments and contingencies specified in sections “Commitment and Contingencies” (page 83) and “Financing Agreements” (page 100) of this Prospectus.

The share capital of the Company is SAR 200 million consisting of four 4 million shares with a nominal value of SAR 50 each. Aldrees confirms that neither the Company's capital nor the capital of any affiliates is under option.

Exhibit 11-2: Aldrees Ownership Structure

Shareholder	Pre-Offering			Post-Offering		
	Shares	Percent	Capital (SAR)	Shares	Percent	Capital (SAR)
Hamad Mohammad Saad Aldrees	1,019,304	25.48%	50,965,200	713,513	17.84%	35,675,650
Abdulmohsen Mohammad Saad Aldrees ..	1,019,304	25.48%	50,965,200	713,513	17.84%	35,675,650
Abdulaziz Saad Mohamed Aldrees	70,956	1.77%	3,547,800	49,669	1.24%	2,483,450
Abdulilah Saad Mohamed Aldrees	70,956	1.77%	3,547,800	49,669	1.24%	2,483,450
Fahad Saad Mohamed Aldrees	86,728	2.17%	4,336,400	60,710	1.52%	3,035,500
Khalid Saad Mohamed Aldrees	86,728	2.17%	4,336,400	60,710	1.52%	3,035,500
Khalid Abdullah Mohamed Aldrees	153,792	3.84%	7,689,600	107,654	2.69%	5,382,700
Mazin Abdullah Mohamed Aldrees	153,792	3.84%	7,689,600	107,654	2.69%	5,382,700
Idrees Mohammad Saad Aldrees	106,600	2.67%	5,330,000	74,620	1.87%	3,731,000
Musaad Mohammad Saad Aldrees	106,600	2.67%	5,330,000	74,620	1.87%	3,731,000
Saud Mohammad Saad Aldrees	106,600	2.67%	5,330,000	74,620	1.87%	3,731,000
Adel Mohammad Saad Aldrees	106,600	2.67%	5,330,000	74,620	1.87%	3,731,000
Saad Mohammad Saad Aldrees	106,600	2.67%	5,330,000	74,620	1.87%	3,731,000
Badr Mohammad Saad Aldrees	106,600	2.67%	5,330,000	74,620	1.87%	3,731,000
Sharifah Mohammad Al Hamad	118,288	2.96%	5,914,400	82,802	2.07%	4,140,100
Badria Saad Mohamed Aldrees	35,496	0.89%	1,774,800	24,847	0.62%	1,242,350
Norah Saad Mohamed Aldrees	43,384	1.08%	2,169,200	30,369	0.76%	1,518,450
Souaad Saad Mohamed Aldrees	43,384	1.08%	2,169,200	30,369	0.76%	1,518,450
Asma'a Abdullah Mohamed Aldrees	76,896	1.92%	3,844,800	53,827	1.35%	2,691,350
Wafa'a Abdullah Mohamed Aldrees	76,896	1.92%	3,844,800	53,827	1.35%	2,691,350

CAPITALIZATION AND INDEBTEDNESS

Shareholder	Pre-Offering			Post-Offering		
	Shares	Percent	Capital (SAR)	Shares	Percent	Capital (SAR)
Hessah Mohammad Saad Aldrees	83,732	2.09%	4,186,600	58,612	1.47%	2,930,600
Shiekhah Mohammad Saad Aldrees	83,732	2.09%	4,186,600	58,612	1.47%	2,930,600
Norah Mohammad Saad Aldrees	83,732	2.09%	4,186,600	58,612	1.47%	2,930,600
Johara Mohammad Saad Aldrees	53,300	1.33%	2,665,000	37,311	0.93%	1,865,550
Total Aldrees Family Members	4,000,000	100.00%	200,000,000	2,800,000	70.00%	140,000,000
Public.....	-	-	-	1,200,000	30.00%	60,000,000
Total.....	4,000,000	100.00%	200,000,000	4,000,000	100.00%	200,000,000

Source: Aldrees

12. Use of Proceeds

The total proceeds from the Offering are estimated at SAR 222,000,000 of which SAR 10,000,000 relate to fees and expenses in connection with the Offering including fees of each of the financial advisor, legal advisor to the Offering, reporting accountants, in addition to underwriting expenses, receiving bank expenses, marketing expenses, printing and distribution expenses and other Offering related expenses. The net proceeds of SAR 212,000,000 will be distributed to the Selling Shareholders on pro-rata basis on each Selling Shareholder's percentage ownership in the Shares being sold in the Offering. The Company will not receive any part of the proceeds from the Offering.

No commissions, discounts, brokerages or other non-cash compensation were granted by the Company in the two years immediately preceding the date of this Prospectus. The Selling Shareholders will bear all Offering expenses.

13. Description of the Shares

13.1 Share Capital

Aldrees' share capital is two hundred million Saudi Riyals (SAR 200,000,000), divided into four million (4,000,000) nominal shares of SAR 50 each, all of which are cash shares representing the entire paid-in capital of the Company upon conversion.

Once it is ascertained to be economically feasible and after obtaining the approval of the competent authorities, the General Assembly may, in an Extraordinary Meeting, adopt a resolution to increase the Company's capital once or several times by issuing new shares having the same nominal value as the original shares, provided that the original capital shall have been paid in full, with due consideration to the requirements of the Regulations for Companies. The said resolution shall specify the method of increasing the capital, and the Shareholders shall have pre-emptive rights to subscribe for the new cash shares. The said shares shall be allotted to the original Shareholders who have expressed their desire to subscribe thereto, in proportion to the original shares owned by them, provided that the number of shares allotted to them shall not exceed the number of new shares they have applied for. The remaining new shares shall be allotted to the original Shareholders who have asked for more than their proportionate share, in proportion to the original shares they own, provided that that their total allotment does not exceed the number of new shares they have asked for. Any remaining new shares shall be offered for public subscription.

The Company may, based on certain justifiable causes, reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision must be made through a resolution adopted by the General Assembly in an Extraordinary Meeting, and requires approval of the Minister of Commerce and Industry. Such resolution shall be issued only after reading the auditor's report on the reasons calling for such reduction, the liabilities of the Company and the effect of the reduction on such liabilities, with due consideration to the provisions of the Regulations for Companies. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

13.2 Shareholders' Rights

Each Share shall give its holder equal rights in the Company's assets and dividends as well as the right to attend and vote at meetings of the General Assembly.

13.3 Shareholders Assemblies

A General Assembly duly convened shall be deemed representing all the Shareholders, and shall be held in the city where the Company's head office is located.

DESCRIPTION OF THE SHARES

Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year, within six (6) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened whenever needed.

The Extraordinary General Assembly shall have the power to amend the Company's Bylaws, except for such provisions as may be impermissible to be amended under the Regulations for Companies. Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions applicable to the latter.

A notice of the date and agenda of the General Assembly shall be published in the Official Gazette and in a daily newspaper circulated in the city where the Company's head office is located at least twenty-five (25) days prior to the time set for such meeting. Notwithstanding the foregoing, it is sufficient to send invitations by registered mail to all the Shareholders. A copy of the invitation and the agenda shall be sent to the responsible authorities within the aforementioned notice period.

The Board of Directors shall convene a meeting of the Ordinary General Assembly if requested to do so by the Auditors or by a number of Shareholders representing at least five percent (5%) of the Company's capital.

The meeting of the Ordinary General Assembly shall not have a quorum unless attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened within the following thirty (30) days. Such notice shall be published in the same manner described above. The second meeting shall be deemed valid irrespective of the number of shares represented.

To have a quorum, the meeting of the Extraordinary General Assembly should be attended by Shareholders representing at least fifty percent (50%) of the Company's capital. If such requirement is not met in the first meeting, a second meeting shall be convened within the following thirty (30) days. The second meeting shall be considered as having the quorum if attended by a number of Shareholders representing at least one-quarter (1/4) of the Company's capital.

The General Assembly shall be presided over by the Chairman of the Board of Directors or, in his absence, the representative designated by him. The Chairman shall appoint a secretary for the meeting and a canvasser. Minutes shall be prepared for the meeting showing the names of Shareholders present in person or represented by proxy, the number of the shares held by each, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the secretary and the vote collector.

13.4 Voting Rights

Each Shareholder owning twenty (20) Shares (or more) shall have the right to attend the General Assemblies, and each Shareholder may authorize another Shareholder, other than the members of the Board of Directors, to attend the General Assembly on his/its behalf. Votes at the meetings of Ordinary and Extraordinary General Assemblies shall be computed on the basis of one vote for each share represented at the meeting.

Resolutions of the Ordinary General Assembly shall be adopted by an absolute majority of the shares represented thereat.

DESCRIPTION OF THE SHARES

Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two thirds (2/3) of the shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's period, dissolving the Company prior to the expiry of the period specified under the Company's Bylaws or merging the Company with another company or establishment, then such resolution shall be valid only if adopted by a majority of three-quarters (3/4) of the shares represented at the meeting.

Each Shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions to the members of the Board and the auditor in this respect. The Board of Directors or the Auditor shall answer the Shareholders' questions to the extent that does not jeopardize the interest of the Company. Should a Shareholder consider the reply unsatisfactory, he can resort to the General Assembly whose resolution is to be considered as final.

13.5 The Shares

The Shares shall be nominal shares and may not be issued at less than their nominal value. However, new shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the statutory reserve, even if the reserve has reached its maximum limit. A Share shall be indivisible vis-à-vis the Company. In the event that a Share is owned by several persons, they shall select one person from amongst them to exercise, on their behalf, the rights pertaining to the Share, and they shall be jointly responsible for the obligations arising from the ownership of the Share.

The transfer of Shares shall be governed by and comply with the regulations governing companies listed on Tadawul. Transfers made other than in accordance with the Company's Bylaws shall be void.

13.6 Duration of the Company

The duration of the Company shall be ninety-nine (99) Gregorian years commencing on the date of issuance of the Minister of Commerce's resolution announcing the Conversion of the Company. The Company's period may always be extended by a resolution of the Extraordinary General Assembly taken at least one year prior to the expiration of the term of the Company.

13.7 Dissolution and Winding-up of the Company

Upon the expiry of the Company's period, or if it is dissolved prior to the time set for the expiry thereof, the Extraordinary General Assembly shall, based on a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidators and specify their powers and fees. The powers of the Board of Directors shall cease upon the expiry of the Company's term. However, the Board of Directors shall remain responsible for the management of the Company until the liquidators are specified. The Company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidators.

14. Summary of the Company's Bylaws

Name of the Company: The name of the Company shall be "Aldrees Petroleum and Transport Services Company", a Saudi joint stock company.

Location of Head Office: The head office of the Company shall be in the city of Riyadh.

Objectives of the Company: The objectives of the Company shall be wholesale and retail trading in fuel, lubricants, gas and spare parts of vehicles and their tires; transportation services of goods, equipment, petrol, water and chemical substances within and outside Saudi Arabia; land transportation of passengers within and outside Saudi Arabia; setting up of workshops and car washing centers; purchase of land and construction of buildings on the same and to invest in these buildings by sale and lease for the benefit of the Company; establish, manage, operate and lease quick services centers for cold and hot beverages and snacks; maintain and operate fuel stations; and polishing cars.

Duration of the Company: The duration of the Company shall be 99 Gregorian calendar years commencing from the date of issue of the resolution of the Minister of Commerce and Industry announcing its conversion into a joint stock company. The duration of the Company may always be extended by a resolution issued by the Extraordinary General Assembly at least one (1) year prior to the expiration of its duration.

Company's Capital: The Company's capital shall be SAR 200,000,000 divided into 4,000,000 shares of equal value, each with a nominal value of SAR 50, all of which are ordinary shares representing the capital of the Company upon conversion.

Shares' Register: Shares shall be negotiable by recording in a shareholders' register, prepared by the Company, comprising their names, nationality, profession, residence, address, shares' numbers and amount paid. This information shall be entered on each share and transfer of share ownership shall not be considered valid as against the Company or others until the date of registration in the Company's shareholder register or after the finalizing of ownership transfer procedures through the automatic system of shares, if applicable.

Increase of Capital: The Extraordinary General Assembly, may by a resolution after the approval of the concerned authorities, increase the Company's capital once or more by issuing new shares with the same nominal value as the original shares, provided that the initial capital has been paid up in full, and subject to the Regulations for Companies. Such resolution shall specify the method of capital increase. The existing shareholders shall have the priority right to claim for any new cash shares. The shareholders shall be notified of their priority right to claim by means of a notice to be published in a daily newspaper or by registered mail reporting the resolution to increase the Company's capital and setting forth the conditions of the resultant share subscription.

Each shareholder wishing to exercise his priority right shall express his desire to so do within fifteen (15) days from the date of publication or notice referred to in the preceding paragraph.

The newly issued shares shall be allotted to the existing shareholders who request to subscribe, in proportion to their existing shares then held by each shareholder, provided that the number of shares allotted to each of them shall not exceed the number of new shares which they wish to claim. If there is a balance remaining, the balance of the newly issued

SUMMARY OF THE COMPANY'S BYLAWS

shares shall be allotted to the existing shareholders who have claimed for more than their pro-rata allotment in proportion to the number of shares held by each, provided that the amount of such allotment shall not exceed the number of new shares for which they wish to claim. The remainder of the newly issued shares, if any, shall then be offered to third parties for subscription.

Decrease of Capital: The Company's capital may be reduced by a resolution of an Extraordinary General Assembly pursuant to acceptable justifications and after obtaining the approval of the Minister of Commerce and Industry if it exceeds the Company's requirements or if the Company incurred losses.

Such resolution may be adopted only after hearing the auditor's report setting out the reasons necessitating the reduction, the liabilities of the Company and the effect of the reduction on these liabilities and in conformity with the Regulations for Companies and such resolution shall state the method of reduction.

If the reduction of capital is due to an excess in capital over the Company's requirements, the Company's creditors must be invited to express their objections within sixty (60) days from the date of publication of the resolution for reduction of capital in a daily newspaper published in the location of the head office of the Company. If any creditor objects to the reduction and submits to the Company, within the said period, the documents of his claim, the Company must pay off his debt if it is a due debt, or furnish adequate security for its payment if the debt is not due.

Bonds: A General Assembly may, by resolution, authorize the Company to issue any kind of bonds or debentures, either for public subscription or otherwise, either in Saudi Arabia or elsewhere, in accordance with the relevant laws and regulations. The resolution shall specify the value of such bonds or debentures, their conditions, and whether they may be converted into shares.

Board of Directors: The Company shall be managed by a Board consisting of seven (7) members appointed by an Ordinary General Assembly for a term not exceeding three (3) years, and the term of the first Board shall be three years commencing from the date of the Ministerial Resolution announcing the conversion of the Company.

Board Members' Shares: The member of the Board or the shareholder who the member of the Board represents shall hold a number of shares of a nominal value not less than ten thousand Saudi Riyals (SAR 10,000), which within thirty (30) days from the date of such members appointment to the Board must be deposited in one of the banks designated by the Minister of Commerce and Industry for this purpose. These shares shall be set aside as a guarantee for the Board's liability, and shall remain non-negotiable until the lapse of the period specified for hearing the action in liability provided for in Article (77) of the Regulations for Companies or until a resolution has been given in respect of such action. The member of Board of the legal persons shall submit guarantee shares for the person he represents or the person he substitutes, and if he fails to submit such guarantee shares within the period specified therefore, the Board membership of the concerned member shall be void.

Vacancy of Board Membership: Membership to the Board shall terminate upon the expiration of its designated term, by the resignation or death of the Board member or upon the removal or disqualification of the member thereto in accordance with any applicable laws or regulations or as agreed by the Ordinary General Assembly. If the post of member of the Board becomes vacant, the Board may appoint a temporary member replacing him, provided that such appointment shall be laid before the first coming session of an Ordinary General Assembly. The new member shall complete the rest of his predecessor's term.

If the number of members of the Board falls below the required quorum for a Board meeting, an Ordinary General Assembly must be convened as soon as possible to appoint the required number of members.

Authority of the Board of Directors: Subject to the powers reserved for the Ordinary General Assembly, the Board shall have the widest powers in managing the affairs and business of the Company within and outside the Kingdom, including but not limited to, representing the Company in its relations with third parties, the Government and private entities, Shari'a courts, judicial bodies, the Board of Grievances, the Labor Office and the Preliminary and Supreme Committees for Settlement of Labor Disputes, the Committee for Settlement of the Dispute of Non-Negotiable Instruments, other judicial committees, the arbitration and civil rights bodies, the police stations, the chambers of commerce and industry and before companies and private and public corporations; applying for bids; receiving, pay, acknowledge, demand, defend, plead, and discharge on behalf of the Company; accepting and/or appealing against judgments; asking for and/or objecting the enforcement of judgments; receiving payments resulting from enforcement of judgments.

The Board shall have the right to execute all kinds of agreements, documents and instruments including the articles of association of the companies where the Company is a shareholder, and the amendment of the articles of associations where the Company is a shareholder; to execute resolutions amending agreements and deeds before notary publics and the official bodies; to execute loan agreements, guarantees, securities and assignment of the Company's priority rights in repayment of the Company's debts; to execute power of attorneys on behalf of the Company; to sell, purchase, convey by deeds, receive, deliver, to lease and let; to receive, pay, withdraw and deposit money; to open letters of credit; to open bank accounts; to issue bank guarantees and execute all papers, documents, instruments, cheques and all banks' transactions; to appoint and dismiss workmen and employees and request work visas for recruitments from outside the Kingdom, to contract with employees and determine their remuneration, to apply for issue of residence cards and to transfer and assign sponsorship of employees. The Board, within its powers, may authorize one or more of its members or a third party to exercise any of its functions.

As to the sale of the Company's real estates, the minutes of the meeting of the Board of Directors shall comprise the reasons for disposition of said real estate subject to the following conditions:

1. the Board shall determine in the sale resolution the reasons and justifications for the sale;
2. the sale price shall be comparable to the price of a similar real estate; and
3. payment for the sale shall be immediate save for cases determined by the Board and with sufficient guarantees

The Board of Directors may conclude loan agreements with Government funds and finance institutions regardless of the terms thereof, and to conclude commercial agreements for terms exceeding three years terms and not exceeding the term of the Company.

Remuneration of the Board of Directors: The remuneration of the Board shall consist of an attendance fee for the meetings of the Board and within the limits provided for in the Regulations for Companies or any other complimentary laws, resolutions and instructions. The report of the Board submitted to the Ordinary General assembly shall include a detailed statement of the payments received by the members of the Board during the fiscal year as salaries, expenses and the other privileges, and the report shall include a statement of the payments received by the members of the Board in their capacity as employees or administrators, or what they received in return for the technical, administrative or consultative services previously agreed to by the General Assembly.

Chairman, Executive Managing Officer and Secretary: The Board shall appoint one of its members as Chairman. The Board may appoint one of its members as Executive Managing Officer. The positions of the Chairman and the Executive Managing Officer may be held by the same person. The Chairman and the Executive Managing Officer, jointly and severally, shall have the powers to represent the Company before third parties, the Government and private entities; to appear before Shari'a courts, judicial bodies, the Board of Grievances, notary publics, the Labor Office and the Preliminary and Supreme Committees for Settlement

SUMMARY OF THE COMPANY'S BYLAWS

of Labor Disputes, the Committee for Settlement of the Dispute of Non-Negotiable Instruments, the other judicial committees, the arbitration and civil rights bodies the police stations, the chambers of commerce and industry and before companies and private and public corporations; to apply for bids; to receive, pay, acknowledge, demand, defend, plead, and discharge on behalf of the Company; and to accept and/or appeal against judgments.

The Chairman and the Executive Managing Officer shall have the right to execute all kinds of agreements, documents and instruments including the articles of association and amendment of articles of association where the Company is a shareholder; to execute loan agreements, guarantees, securities, follow-up of the Company's transactions, to collect the Company's money and discharge of its obligations; to sell, purchase, convey by deeds, receive, deliver, to lease and let; to receive, pay, withdraw and deposit money; to open and/or close bank accounts; and to issue bank guarantees and execute all papers, documents, instruments, cheques and the other non-negotiable instruments. The Chairman and the Executive Managing Officer shall have the right to appoint and dismiss workmen and employees and determine their remuneration; to appoint attorneys and hire legal counsels to represent the Company; and to delegate one or more of the members of the Board to carry out any work. In addition, the Executive Managing Officer may have any powers determined by the Board. The Board, pursuant to its own discretion, shall determine the remuneration of the Chairman and the Executive Managing Officer.

The Board shall appoint one of its members or a non-member as secretary of the Board and define the secretarial functions and remuneration of the secretary by resolution.

The term of the Chairman, the secretary and Executive Managing Officer, shall not exceed their respective terms as members of the Board, and they may be reappointed upon expiry of their respective terms.

Meetings of the Board: The Board shall meet upon an invitation issued by the Chairman, and the invitation shall be (in writing or sent by mail, fax or electronic mail) accompanied with confirmation. The Chairman must call for a meeting if requested by two (2) members of the Board. The Board meeting shall not be valid unless attended by at least half the members of the Board.

Any member of the Board shall have the right to grant a proxy to another member of the Board to vote at a meeting on his behalf according to the following terms and conditions:

- (i) A member of the Board shall not represent more than one member in attending the same meeting.
- (ii) Such delegation shall be in writing.
- (iii) The representative member shall not vote on any resolution to which the principal member is prohibited to vote by law.

Resolutions of the Board shall be adopted by the absolute majority of the attending members or their representatives with a minimum of three (3) votes.

Minutes of Board Meetings: Deliberations and resolutions of the Board shall be recorded in minutes to be distributed to all members of the Board and signed by the Chairman and the secretary after being ratified by the Board. Such minutes shall be entered in a special record, which shall be signed by both the Chairman and the secretary.

Shareholders' Assemblies: The validly constituted Ordinary or Extraordinary General Assembly shall represent all the shareholders and shall convene in the city where the Company's head office is located.

Each shareholder who owns at least twenty (20) shares may attend the Ordinary or Extraordinary General Assembly. Any shareholder may appoint another shareholder, who is not a Board member or an official of the Company, to attend the General Assembly as his delegate.

Ordinary General Assembly: Except for matters falling within the jurisdiction of an Extraordinary General Assembly, an Ordinary General Assembly shall be competent in all matters related to the Company and shall be convened at least once a year during the six months following the end of the fiscal year. Other Ordinary General Assembly meetings may be called when necessary.

The General Assembly of shareholders shall be convened pursuant to a summon of the Board. The Board must call an Ordinary General Assembly if so requested by the auditors of the Company or by a number of shareholders representing at least five percent (5%) of the Company's capital. The invitation for the Assembly shall be published in the Official Gazette and in a daily newspaper circulated in the location of the head office of the Company, at least twenty-five (25) days prior to the date set for the assembly. Also it shall be sufficient to send a notice by registered mail during the period specified in this article. The notice shall contain the agenda of the assembly. A copy of both the notice and the agenda shall be sent to the Directorate General for Companies at the Ministry of Commerce and Industry within the period specified for publication.

An Ordinary General Assembly shall not be valid unless attended by shareholders representing at least fifty percent (50%) of the Company's capital. If this quorum does not attend at the meeting, a notice shall be sent for a second assembly to be held within thirty (30) days of the previous assembly. The second assembly shall be deemed valid, regardless of the number of shares represented therein.

Extraordinary General Assembly: An Extraordinary General Assembly of shareholders shall be competent to alter the Bylaws of the Company except the provisions prohibited by the law to be altered. Furthermore, it shall be empowered to adopt resolutions in matters within the jurisdiction of the Ordinary General Assembly under the same conditions and manners as prescribed for the latter.

An Extraordinary General Assembly shall not be valid unless attended by shareholders representing at least fifty (50%) percent of the Company's authorized capital. If this quorum does not attend at the meeting as initially scheduled, a notice shall be sent for a second assembly. The second assembly shall be deemed valid if attended by a number of shareholders representing at least one-quarter (1/4) of the Company's capital.

Resolutions of the Assemblies: Resolutions of the Ordinary General Assembly shall be adopted by the absolute majority of shares represented in the assembly, and the resolutions of Extraordinary General Assembly shall be adopted by the majority of the two thirds (2/3) of the shares represented in the assembly. As to decisions concerning an increase or decrease in the Company's capital, or merger of the Company with another company or institution, the prolongation of the term of the Company or the winding up of the Company, the three fourth (3/4) approval of all of the shareholders represented therein shall be required.

The Auditor: The Company shall have one or more auditors from among those licensed to conduct auditing business in Saudi Arabia. The Auditor shall be appointed annually by the Ordinary General Assembly, which shall determine the auditor's remuneration and may reappoint the auditor.

The auditor shall at any time have access to the Company's books, records and other documents and shall be entitled to request such particulars and clarifications, as he may deem necessary and to verify the assets and liabilities of the Company.

The auditor must submit a report to the annual Ordinary General Assembly, setting forth the attitude of the Company's management in enabling him to obtain the particulars and clarifications requested by him, any violations of the provisions of the applicable Regulations for Companies and the Company's Bylaws he may have discovered, along with his ruling regarding whether the Company's accounts accurately reflect the facts.

Financial Year: The Company's fiscal year shall begin on the first of January of the Gregorian calendar year and end on the 31 of December of each year, provided that the first fiscal year after conversion of the Company shall start from the date on which the Ministerial Resolution is issued in respect of conversion of the Company until the 31 of December of the following year.

Documents to be Prepared at Year-end: At the end of each fiscal year, the Board shall prepare an inventory of the value of the Company's assets and liabilities as of that date and shall prepare a balance sheet for the Company, a profit and loss statement, and a report on its activities and financial position for the expired fiscal year and the suggested way of distributing the net profit at least sixty days prior to the date set for the Ordinary General Assembly.

The Board shall put the said documents at the disposal of the auditor at least fifty five (55) days prior to the date set for the General Assembly.

The Chairman of the Board shall sign said documents, and copies of such documents shall be placed at the Company's head office at the disposal of the shareholders at least twenty five (25) days prior to the date set for General Assembly. The Chairman of the Board shall publish or cause to be published in one daily newspaper distributed in the location of the head office, the Company's balance sheet, profits and loss accounts, sufficient summary of the report of the Board, the complete report of the auditor and send a copy of such documents to the Directorate General for Companies at the Ministry of Commerce and Industry at least twenty five days (25) prior to the date set for General Assembly.

Distribution of Profits: The annual net profits of the Company shall, after deducting all general and other expenses, be allocated as follows:

1. Ten percent (10%) of the net profits shall be set aside to build the statutory reserve. The Ordinary General Assembly may stop this deduction when said reserve reaches an amount equivalent to fifty percent (50%) of the Company's capital.
2. The Ordinary General Assembly may, at the recommendation of the Board, set aside a specific percentage of net profits to build up an agreed reserves allocated for a specific purpose or purposes.
3. A first payment of the balance equaling 5% of the paid up capital shall be distributed to the shareholders as dividends.

Company Losses: If the losses of the Company total three quarters of its capital, the members of the Board shall call an Extraordinary General Assembly to consider whether the Company shall continue to carry its business or be dissolved before the expiry of the Company's term. In all events, the resolution adopted by the assembly shall be published in the Official Gazette.

Dissolving and Liquidation of the Company: Upon the expiration of the Company's term, or upon a decision to dissolve the Company prior to the expiration of its term, an Extraordinary General Assembly shall resolve based on the Board recommendation the procedures for liquidating the Company and shall appoint one or more liquidator whose powers and remuneration shall be determined by such resolution. The powers of the Board shall expire upon expiration of the term of the Company. Notwithstanding the above, the Board shall continue to manage the Company until the liquidator is appointed and the Company departments shall maintain their powers to the extent that they shall not conflict with the liquidator's powers. In all events the resolution of the General Assembly shall be published in the Official Gazette.

15. Legal Information

15.1 Governmental Consents, Licenses and Approvals

The Company holds a number of licenses and certificates relating to its commercial registration, the operation of its petrol stations and the transport services division.

The Company holds a current Commercial Registration Certificate issued by the Ministry of Commerce and Industry, which is valid until 30 Jumada Al-Awal 1428H (corresponding to 16 June 2007G). The Commercial Registration Certificate provides that the activities, include, without limitation:

- ▶ the operation of gas stations, car workshops and car washes;
- ▶ the wholesale and retail trading in fuel and lubricants;
- ▶ the sale of hot and cold food and beverages; and
- ▶ the transportation of goods by road pursuant to Ministry of Transport Licence No. 148.
- ▶ the purchase of land, building on it, and investing it by sale or rent for the Company

The Company also holds licenses from the relevant municipality and civil defense authorities in respect of the operation of its gas stations and the car wash facility.

Also, as noted above, the Company has been issued with License No. 148 by the Ministry of Transport pursuant to the Saudi Transportation Law, which permits the road transportation of goods and trailers for a fee for third parties for the period up to 9 March 2008.

In addition, the Company holds a certificate of registration issued by the Riyadh Chamber of Commerce, a number of branch-registration certificates and registration certificates of agency agreements.

15.2 Principal Properties

15.2.1 Petrol Services Division

The Company operates its petrol services division from 4 freehold and 115 leasehold properties located in the Kingdom as of 30 June 2005. The freehold properties are all registered in the name of the Company.

The 115 leasehold properties comprise gas stations, of which 6 are leased from SAPTCO (Saudi Arabian Public Transportation Company) and relate to SAPTCO bus depots. The terms of the leases range from 1 year to 12 years with most terms being approximately between 5 to 10 years. The rent is either fixed for the duration of the lease or set for fixed periods of time with specified increases in rent over the duration of the lease term. The respective landlord provides the initial permits and registrations required for the operation of the gas stations but the Company is then responsible for renewal of such permits. The Company is also responsible for the maintenance and insurance of the premises. Whilst the Company is able to make alterations to the premises, it must return the premises in a good state at the end of the lease period.

The Company has granted sub-leases of part of the gas stations to third parties in respect of the provision of ancillary services such as ATM machines, supermarkets, car washing center, one-stop shops, change oil/workshops, tire shops, car rental, apartments, room, parking

spaces, car shining, advertisement space, car accessories shop, internet cafés, car repairs, car paint clinics and coffee shops.

15.2.2 Transport Services Division

The Company operates its transport services division from 4 freehold and 5 leasehold properties located in the Kingdom. The freehold properties are all registered in the name of the Company. The principal properties operated by the transport services division comprise full service workshops in Jeddah and Riyadh and a limited service bay in Dammam. The Company is occupying the service workshop premises in Jeddah under a short-term lease and is seeking to acquire premises in Jeddah on a freehold basis to which it intends to relocate its workshop. The Dammam depot is being expanded into a full service workshop with completion due to occur in early 2006.

15.3 Intellectual Property and Information Technology

Aldrees currently has the “Transport” trademark registered with the Ministry of Commerce and Industry as an intellectual property. In addition, the Company has also registered with the Ministry of Commerce and Industry the following brand names; “Petrol”, “Super Wash” and “Super Café”, with Petrol still pending final registration; Super Wash and Super Café are already duly registered with the Ministry of Commerce.

The aforementioned brands are expected to place emphasis on the brands used in the respective operations and are part of the Company’s strategy in building and enhancing Aldrees’ brand names and corporate image.

The Company utilizes Microsoft and Oracle software in its business pursuant to software license agreements.

In addition, the Company operates its own bespoke Integrated Software Solution which was initially delivered by Software Algorithms (I) Pvt. Ltd. of India pursuant to a contract signed on 7 June 2001. On 5 March 2003, the Company signed a contract to acquire the source code for the software in order to further develop the application software and pursuant to which the Company has developed its own in-house management information systems.

15.4 Insurance

The Company is insured under different classes of insurance policies, which are valid until 31 March 2006. The following table summarizes information in that regard.

Exhibit 15-1: Company’s Insurance Coverage

Class of Insurance	Value Insured (SAR ‘000)	Total Policies Amount (SAR)
Petrol Division		
Motor Vehicles	3,424	116,925
Third party crime	406,732	166,090
Fire and Perils	71,988	102,584
Third party liability	109,000	54,500
Transport Division		
Motor vehicles	56,114	2,088,644
Land transit	65,767	127,835
Third party crime, fire and perils	11,000	24,777
Total	724,025	2,681,355

Source: Aldrees

It should be noted that the policies contain a number of exclusions in relation to political (including war and acts of terrorism), pollution and contamination risks.

15.5 Financing Agreements

Aldrees has entered into a number of facilities comprising performance bonds, bid bonds and payment guarantees secured by joint and several shareholder guarantees, assignments on the proceeds of specified contracts and financial covenants. The principal agreements are as follows:

Saudi Hollandi Bank under Facilities Agreement dated 15 May 2005

Total facilities for the issuance of contract guarantees and/or letters of credit aggregating at SAR 119 million. The facilities are mainly utilized by the petroleum division and as of 30 June 2005 outstanding amounts for guarantees were SAR 115.2 million.

Samba Financial Group

Relates to outstanding contract guarantees and as of 23 October 2005 outstanding amounts were SAR 8.1 million.

The National Commercial Bank

Relates to outstanding contract guarantees and letters of credit, as of 23 October 2005 outstanding amounts were SAR 142,350.

15.6 Certain Relationships and Related Party Transactions

On 28 Jumada Al-Awal 1426H (corresponding to 5 July 2005G), the Company entered into a sale and purchase agreement with Mohammad Saad Aldrees' Sons Co. Holdings, a Saudi Limited Liability company wholly owned by the Selling Shareholders (the "Sale Agreement"). Pursuant to the terms of the Sale Agreement the Company sold to Mohammad Saad Aldrees' Sons Co. Holdings and Mohammad Saad Aldrees' Sons Co. Holdings purchased from the Company, the business, assets and liabilities of the Company relating to the non-petroleum and non-transport divisions of the Company, comprising the following divisions, such sale taking effect on the close of business of 1 January 2004:

- ▶ Saudi American Glass factory
- ▶ Tools and Equipment
- ▶ Aldrees International Contracting Supply
- ▶ Agriculture and Irrigation
- ▶ Metals
- ▶ Car Rental

The Sale Agreement provides that the purchase price for such business and assets is SAR 39,006,315. During 2005 SAR19.4 million of these dues were settled and the amount due as of 30 June 2005 was SAR19.6 million. This balance will be paid off no later than 30 June 2006. In addition, pursuant to the terms of the Sale Agreement, Mohammad Saad Aldrees' Sons Co. Holdings also assumed the financial liabilities of the petroleum and transport divisions of the Company on 1 January 2004 under the terms of its various facilities agreements with Saudi Hollandi Bank, Samba Financial Group, Gulf International Bank and Bank Al Jazeera. These banks and National Commercial Bank have consented to such transfer and assumption of liabilities.

The Sale Agreement also provides for the obligations of Mohammad Saad Aldrees' Sons Co. Holdings to the Company to be guaranteed by the Selling Shareholders. Accordingly, a guarantee in respect of such obligations was executed by and on behalf of the Selling Shareholders on 6 July 2005.

Fixed assets include land and buildings amounting to SAR 15 million that were acquired from Abdulmohsen Bin Mohammad Aldrees, one of the shareholders, during December 2003. The acquisition price was determined based on appraisals conducted by two real estate offices in the Kingdom estimating the value of the land at SAR 15,150,000 and SAR 15,750,000.

LEGAL INFORMATION

The Company purchased a parcel of land during 2002 from Hamad Bin Mohammad Saad Aldrees, one of the shareholders, amounting to SAR 24.8 million and was credited to the concerned shareholder's current account. The acquisition price was determined based on appraisals conducted by two real estate offices in the Kingdom estimating the value of the land at SAR 28,355,658 and SAR 25,697,315.

The Company obtained a recent appraisals from Coldwell Banker Commercial - Abdullah Bin Saedan Real Estate for the two real estate purchased during 2002 and 2003. Coldwell Banker Commercial - Abdullah Bin Saedan Real Estate estimated the market value for the real estate purchased during 2002 at SAR 29,000,000 as of 1 October 2005⁴; and the real estate purchased during 2003 at SAR 15,030,000 as of 10 October 2005.

Coldwell Banker Commercial - Abdullah Bin Saedan Real Estate is a joint venture between Bin Saedan Real Estate Group and Coldwell Banker International Company. Bin Saedan Real Estate Group is one of the leading real estate companies in the Kingdom and has been in operation for more than 70 years with focus on real estate activities. Coldwell Banker International is an international firm that manages and markets real estates through 3,500 international offices and 106,000 agents worldwide. It was established in 1906 in San Francisco in the USA, with experience not limited to managing and marketing real estate, but also covering other specifics within real estate activities, such as consulting services, appraisals and valuations.¹⁸

Save as set out in this Prospectus, there is no, and there is not currently proposed, any transaction or series of similar transactions to which Aldrees is or will be a party in which any Director, executive officer, holder of five percent or more of any of the Company's Shares or any member of their immediate family had or will have a direct or indirect material interest.

15.7 Litigation

The Directors and Management of Aldrees confirm that the Company is not involved, as of the date of this Prospectus, in any litigation, arbitration or administrative proceedings that would, individually or in aggregate, have a material adverse effect on its financial condition and results of operations and that so far as the Directors and Management of Aldrees are aware no such litigation, arbitration or administrative proceedings are threatened or pending.

¹⁸ Coldwell Banker Commercial – Abdullah Bin Saedan Real estate do not themselves, nor any of their relatives or officials have any shareholding or interest of any kind in the Company. In addition, Coldwell Banker Commercial – Abdullah Bin Saedan Real estate have given and not withdrawn their written consent to the reference to the results of this real estate appraisal in the Prospectus.

16. Underwriting

16.1 Underwriter

The Saudi British Bank is the sole underwriter (“the Underwriter”) of 1.200.000 shares representing the total share offering.

16.2 Summary of Underwriting Arrangement

16.2.1 Sale and Underwriting of the Offer Shares

Under the terms and subject to the conditions contained in the Underwriting Agreement between the Selling Shareholders, the Company and the Underwriter:

- a) The Selling Shareholders undertake to the Underwriter that on the Closing Date (as defined in the Underwriting Agreement) will sell all Offer Shares to purchasers procured by the Underwriter or to the Underwriter itself,
- b) The Underwriter undertakes to the Company and Selling Shareholders that it will on the Closing Date purchase the number of Offer Shares not subscribed for from the offered shares, if any.

16.2.2 Grounds for Termination

The Underwriter may terminate the Underwriting Agreement prior to the admission of the Shares to the Official List in the following specified circumstances:

- a) If, at or prior to 10:00 am on the Closing Date or such other time as the Underwriter may agree, there has occurred:
 - i. a suspension or material limitation in trading in securities generally on Tadawul;
 - ii. a moratorium on commercial banking activities in Riyadh declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the Kingdom;
 - iii. a change or development involving a prospective change in law, regulations or taxation adversely affecting the Company, the Shares, the transfer of Shares or the Offering;
 - iv. an outbreak or escalation of hostilities or a terrorist incident involving the Kingdom or the declaration by Saudi Arabia of a national emergency or war;
 - v. any material adverse change, disruption or other condition in the domestic money, debt, capital or any other financial markets in the Kingdom of Saudi Arabia including without limitation any material adverse change to the Tadawul All Share Index; or
 - vi. other calamity or crisis or material adverse change in financial, political, monarchical or economic conditions or currency exchange rates or controls in the Kingdom.

that may, in the sole opinion of the Underwriter, prejudice or make it impractical or inadvisable to proceed with the Offering or delivery of the Offer Shares as contemplated by the Prospectus, the Underwriter may, in its absolute discretion, by notice to the Company terminate the Underwriting Agreement.

UNDERWRITING

- b) If, at or prior to 10:00 am on the Closing Date or such other time as the Underwriter may agree, an internationally recognized rating agency has in respect of any sovereign securities relating to the Kingdom issued any notice:
- i. downgrading such securities;
 - ii. indicating that it intends to downgrade, or is considering the possibility of downgrading, such securities; or
 - iii. indicating that it is reconsidering the rating of such securities without stating that this is with a view to upgrading them,
- that, in any such case, in the opinion of the Underwriter makes the success of the Offering doubtful or which, in the opinion of the Underwriter, would make it impracticable or inadvisable to proceed with the Offering, then the Underwriter will consult with the Company and the Selling Shareholders to the extent practicable, but the Underwriter may, in its absolute discretion, by notice to the Company terminate the Underwriting Agreement.

16.2.3 Commission and Expenses

The Selling Shareholders will pay to the Underwriter an underwriting fee based on the total value of the Offering. Moreover, the Selling Shareholders will pay to the Underwriter fees, costs and expenses in connection with the Offering.

17. Subscription Terms and Conditions

All Subscribers must carefully read the Subscription Terms and Conditions prior to completing the Subscription Application Form, since the execution of the Subscription Application Form constitutes acceptance and agreement to the Subscription Terms and Conditions.

17.1 Subscription to Offer Shares

The Selling Shareholders are soliciting applications from Subscribers for acquiring the Offer Shares. A signed Subscription Application Form submitted to any of the Lead Manager or Selling Agents represents a legally binding agreement between the Selling Shareholders and the Subscriber.

The Selling Shareholders own 100% of the issued share capital of the Company. Potential investors may obtain both the main and mini prospectuses in addition to the Subscription Application Form from the following banks:



The Saudi British Bank
P.O Box 9084, Riyadh 11413



Saudi Hollandi Bank
P.O Box 1467, Riyadh 11431



Samba Financial Group
P.O Box 833, Riyadh 11421



National Commercial Bank
P.O Box 3555, Jeddah 11481

The Lead Manager and Selling Agents will commence receiving Subscription Application Forms at their branches throughout Saudi Arabia from Saturday 21/12/1426H (corresponding to 21/1/2006G) to Monday 30/12/1426H (corresponding to 30/1/2006G). Once the Subscription Application Form is signed and submitted, the Lead Manager and Selling Agents will stamp it and provide the Subscriber a copy of the completed Subscription Application Form. In the event the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Lead Manager and/or Selling Agents, the Subscription Application Form will be considered void.

Each Subscriber is required to specify the number of Offer Shares applied for in the Subscription Application Form at the Offer Price of SAR 185 per Share. Subscriptions for less than 10 Offer Shares or fractional numbers will not be accepted. In addition, each Subscriber may not apply for more than 5,000 Offer Shares.

Each Subscriber is required to submit the Subscription Application Form during the Offering Period accompanied by the original and a copy of the national identification card, family identification card in addition to sufficient funds in an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR 185 per Share. In the event an application is made on behalf of a Subscriber (parents and children only), the name of the person signing on behalf of the Subscriber should be stated in the Subscription Application

SUBSCRIPTION TERMS AND CONDITIONS

Form accompanied by the original and a copy of the power of attorney supporting such person's authority to act on the behalf of the Subscriber. The power of attorney must be issued before a Notary Public for those who are in Saudi Arabia and must be legalized through the Saudi Embassy or Consulate in the relevant country for those residing outside Saudi Arabia. The Lead Manager and Selling Agents will verify all copies against the originals and will return the originals to the Subscriber.

One Subscription Application Form should be completed for each head of family applying for himself and members appearing on his family identification card if dependent Subscribers apply for the same number of Offer Shares as the prime Subscriber. In this case: (i) all Offer Shares allocated to the prime Subscriber and dependent Subscribers will be registered in the prime Subscriber's name; (ii) the prime Subscriber will receive any refund in respect of amounts not allocated and paid for by himself and dependent Subscribers, and (iii) the prime Subscriber will receive all dividends distributed in respect of the Offer Shares allocated to himself and dependent Subscribers (in the event the Shares are not sold or transferred). If a wife wishes to subscribe for the shares in her name/account, she must complete a separate Subscription Application Form as a prime subscriber. In such case, applications made by the husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Selling Agent.

Separate Subscription Application Forms must be used if: (i) the Shares that will be allocated are to be registered in a name other than the name of the prime Subscriber/head of family; or (ii) dependent Subscribers wish to apply for a different quantity of Offer Shares than the prime Subscriber. (iii) the wife if she wishes to subscribe in her name and to add allocated shares to her account, however, she must complete a separate Subscription Application Form as a prime subscriber. In such case, applications made by the husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Selling Agent..

Each Subscriber agrees to subscribe for and purchase the number of Offer Shares specified in the Subscription Application Form submitted by the Subscriber for an amount equal to the number of Shares applied for multiplied by the Offer Price of SAR 185 per Share. Each Subscriber shall have purchased the number of Offer Shares allotted to him upon: (a) delivery by the Subscriber of the Subscription Application Form to the Lead Manager or Selling Agents; (b) payment in full by the Subscriber to the Lead Manager or Selling Agents of the total value of Offer Shares subscribed for; and (c) delivery to the Subscriber by the Lead Manager or Selling Agents the allotment letter specifying the number of Offer Shares allotted to him.

The total value of the Offer Shares subscribed for must be paid in full to a branch of the Lead Manager or Selling Agents by authorizing a debit of the Subscriber's account held with the Lead Manager or Selling Agents where the Subscription Application Form is being submitted.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offering, Aldrees shall have the right to reject, in full or in part, such an application. The Subscriber shall accept any number of Shares allocated to him or her.

17.2 Allocation and Refunds

The Lead Manager and Selling Agents shall open and operate escrow accounts named "Aldrees IPO". Each of the Lead Manager and Selling Agents shall deposit all amounts received by the Subscribers into the escrow accounts mentioned above.

After around eight days following the end of the Offering Period, the Offer Shares will be allocated to the Subscribers as follows: if the Offering is oversubscribed investors will be allocated a minimum of 10 Offer Shares with the remaining Offer Shares being allocated on a pro-rata basis. The Company does not guarantee the minimum allocation of 10 Offer Shares

SUBSCRIPTION TERMS AND CONDITIONS

in the event that the number of Subscribers exceeds 120,000. In that case, the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds the number of Offer Shares, the allocation will be determined at the discretion of the CMA.

The final number of Offer Shares allocated to each Subscriber, together with any refund due to the Subscriber, is expected to be announced no later than Sunday 6/1/1427H (corresponding to 5/2/2006G). Aldrees will make an announcement in the national newspapers in Saudi Arabia informing the Subscribers of the above and instructing the Lead Manager and Selling Agents to begin the refund process.

The Lead Manager and Selling Agents will send confirmation/notification letters, to their Subscribers informing them of the final number of Offer Shares allocated together with the amounts, if any, to be refunded. The Lead Manager and Selling Agents will also refund to the Subscribers any monies in respect of which no Offer Shares have been allocated to the relevant Subscribers, as provided in the confirmation/notification letters. Refunds will be made in full without any charge or withholding by crediting Subscribers' accounts at the respective bank. Subscribers should communicate with the branch of the Lead Manager or the Selling Agents where they submitted their Subscription Application Form for any further information.

17.3 Acknowledgements

By completing and delivering the Subscription Application Form, the Subscriber:

- ▶ accepts subscribing for the Company's shares with the number of shares specified in the Subscription Application Form;
- ▶ warrants that he had read the Prospectus and understood all its contents;
- ▶ accepts the Bylaws of the Company and all subscription instructions and terms mentioned in the Prospectus.;
- ▶ keeps his/her right to sue the Company for damages caused by incorrect or incomplete information contained in the Prospectus, or by ignoring major information that should have been part of the Prospectus and could effect the Subscriber's decision to purchase the Shares;
- ▶ declares that neither himself nor any of his family members included in the Subscription Application Form has previously subscribed to Aldrees' shares and the Company has the right to reject all applications;
- ▶ accepts the number of shares allocated to him and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form; and
- ▶ warrants not to cancel or amend the Subscription Application Form after submitting it to the Lead Manager or the Selling Agents.

17.4 Miscellaneous

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

The Prospectus has been released in both Arabic and English Languages. In the event of a discrepancy between the English and Arabic text, the Arabic text of the Prospectus will prevail.

17.5 The Saudi Arabian Stock Exchange (Tadawul)

Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. In 1990G, full electronic trading in Saudi Arabia equities was introduced. The market capitalisation was SAR 2,264 billion at the end of 6 November 2005G. 77 companies are listed and traded on Tadawul as of that date.

Trading on Tadawul occurs through a fully integrated trading system covering the entire process from trade order through settlement. Trading occurs each business day between 10:00 am to 12:00 pm and 4:30 pm to 6:30 pm. Tadawul also trades on Thursdays between 10:00 am and 12:00 noon. After close of exchange trading, orders can be entered, amended or deleted until 8:00 pm. The system is not available between 8:00 pm and 8:00 am. From 8:00 am new entries and inquiries can be made. For the opening phase (starting at 10:00 am), the system starts opening procedures, it establishes the opening prices and determines orders to be executed according to the matching rules.

Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders place at a price limit), provided that if several orders are generated at the same price, they are executed according to the time of entry.

Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website and Tadawul Information Link. The Tadawul Information Link supplies trading data in real time to information providers such as Reuters.

Exchange transactions are settled on a T+0 basis, meaning that ownership transfer takes place immediately after the trade is executed.

Issuers are required to report all material announcements via Tadawul for onward dissemination to the public.

Surveillance and monitoring is the responsibility of Tadawul as the operator of the market. The aim of supervision is to ensure fair trading and an orderly market.

17.6 Trading on Tadawul

It is expected that dealing in the Shares will commence on Tadawul upon finalization of the allocation process. Tadawul will announce the start date of trading once determined. Dates and times included in this Prospectus are indicative and may be changed or extended subject to the approval of the CMA.

Furthermore, Shares can only be traded after allocated Shares have been credited to Subscribers' accounts at Tadawul, the Company has been registered in the Official List and its Shares listed on the Saudi Stock Exchange. Pre-trading is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company shall have no legal responsibility in such an event.

18. Documents Available for Inspection

The following documents will be available for inspection at Aldrees' head office located at Khurais Road, between the hours of 8:30 am to 5:00 pm one week prior to and during the Offering Period:

- ▶ Company's Bylaws
- ▶ Partners Resolution concerning the conversion of Aldrees Petrol and Transportation Services Company into a joint stock company
- ▶ Resolution of the Minister of Commerce and Industry's No. 1707 dated 3/11/1426H (corresponding to 5/12/2005G) authorizing the conversion of the Company into a joint stock company
- ▶ CMA approval to the Offering
- ▶ Audited Financial Statements for the years 2002, 2003 and 2004
- ▶ Audited Financial Statements for the six months ended 30 June 2004 and 2005
- ▶ Reporting Accountant's written consent to the publication in the Prospectus of their Accountant's Report
- ▶ Written consent from Clifford Chance, Limited Liability Partnership to the reference as legal advisors to the IPO in the Prospectus.
- ▶ Valuation Report prepared by the Financial Advisor
- ▶ Sale and purchase agreement between the Company and Mohammad Saad Aldrees' Sons Co. Holdings dated 5 July 2005
- ▶ Consents of Saudi Hollandi Bank, Samba Financial Group, Gulf International Bank, Bank Al Jazeera and National Commercial Bank for the transfer of and assumptions of liabilities
- ▶ Selling Shareholders' guarantee dated 6 July 2005 with respect of obligations arising in relation to the Sale Agreement
- ▶ Sale contracts and independent valuation appraisals of related-parties' land transfers.

THIS PAGE IS INTENTIONALLY LEFT BLANK