ALUJAIN CORPORATION

(A Saudi Joint Stock Company)

BOARD OF DIRECTORS' REPORT FOR THE YEAR 2008

The Board of Directors has pleasure in presenting its annual report together with the audited financial statements for the year ended December 31, 2008.

The main objectives of Alujain Corporation are to identify, promote, develop and invest in petrochemical, energy, metal and mineral related projects/industries. Pursuant to these objectives the Company acquired majority (57.4%) equity ownership in the National Petrochemical Industrial Company (NATPET), the company that operates the Propylene & Polypropylene Complex (PP Complex) in Yanbu Industrial City. During December 2008, the Company entered into a number of agreements with partners in Arab Pesticide Industries Company (Mobeed) for the purchase of additional shares, thus increasing Alujain's ownership of Mobeed from 25% to 93.08%. Alujain will pursue the remaining shareholders for acquiring their shareholdings. Once all formalities have been completed Alujain intends to bring in an experienced partner to run and operate Mobeed.

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

In compliance with the standards issued by the Saudi Organization of Certified Public Accountants (SOCPA), the 2008 financial statements of Alujain are consolidated with NATPET as subsidiary.

I. FINANCIAL HIGHLIGHTS

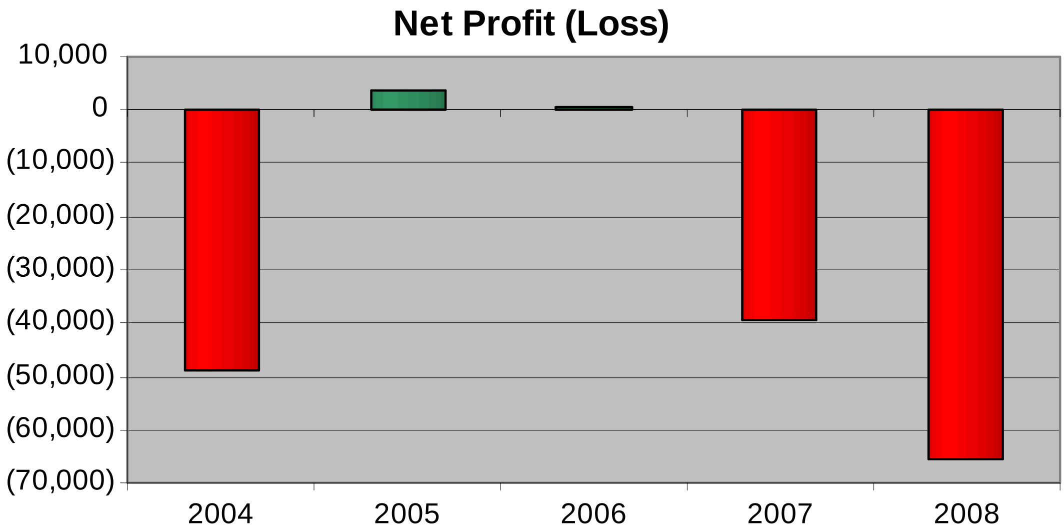
A. Five-Years Profit and (Loss) Summary

	Year ended December 31				
				Consolidated	
	2004 (SR '000)	**2005 (SR '000)**	**2006 (SR '000)**	**2007 (SR '000)**	**2008 (SR '000)**
Revenue	5,966	13,615	15,965	22,560	6,573
Provision for investments	(47,344)	(3,336)	(5,033)	(2,084)	(5,822)
Loss on impairment in value of investments	-	-	-	-	(9,945)
Changes in fair value of derivatives	-	-	-	(8,145)	(21,726)
Administration & other expenses	(7,562)	(3,913)	(7,022)	(59,400)	(61,863)
Costs and Expenses	(54,906)	(7,249)	(12,055)	(69,629)	(99,356)
Profit (Loss) before Zakat	(48,940)	6,366	3,910	(47,069)	(92,783)
Zakat	0	(3,068)	(3,560)	(14,416)	(5,003)
Profit (Loss) Before Minority Interest	(48,940)	3,298	350	(61,485)	(97,786)
Minority Interest*	0	0	0	22,039	32,684
Net Profit (Loss)	(48,940)	3,298	350	(39,446)	(65,102)

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

Five-Years Profit and Loss Chart
(Consolidated data for 2007 and 2008)

(Amounts in SR '000)



B. Comparative Operating Results (2 years):

The SR6.6 million revenue in 2008 comprised solely of Alujain's income. The 2007 revenue was SR22.6 million, of which, SR8.8 million was for Alujain & SR13.7 million was for the subsidiary company.

The consolidated 2008 expenses of SR99.4 million include non-cash charges of SR5.8 million provision for investments, SR9.9 million loss on impairment in value of available-for-sale securities and SR21.7 million of loss in value of derivatives. The consolidated 2007 expenses of SR69.6 million include non-cash charges of SR8.1 million for loss in value of derivatives.

The consolidated net loss before Zakat in 2008 is SR92.8 million as compared to the 2007 pre-Zakat loss of SR47.1 million. The consolidated loss during 2008, net of minority interest, is SR65.1 million compared to consolidated loss during 2007 of SR39.4 million.

Two years comparative operating results
(Consolidated figures)

	Year ended on December 31		
	2008 (SR '000)	**2007 (SR '000)**	**Net Changes (SR '000)**
Revenue:			
Income from Murabaha Funds	1,848	1,792	56
Commission and dividend income	2,876	19,571	(16,695)
Other	1,849	1,197	652
Total income	6,573	22,560	(15,987)
Expenses:			
Provision for investments	(5,822)	(2,084)	(3,738)
Loss on impairment in value of investments	(9,945)	-	(9,945)
General and administrative expenses	(61,863)	(59,400)	(2,463)
Change in fair value	(21,726)	(8,145)	(13,581)
Total expenses	(99,356)	(69,629)	(29,727)
Profit (Loss) before Zakat	(92,783)	(47,069)	(45,714)
Zakat	(5,003)	(14,416)	9,413
Profit (Loss) before Minority Interest	(97,786)	(61,485)	(36,301)
Minority Interest *	32,684	22,039	10,645
Net Profit (Loss)	(65,102)	(39,446)	(25,656)

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

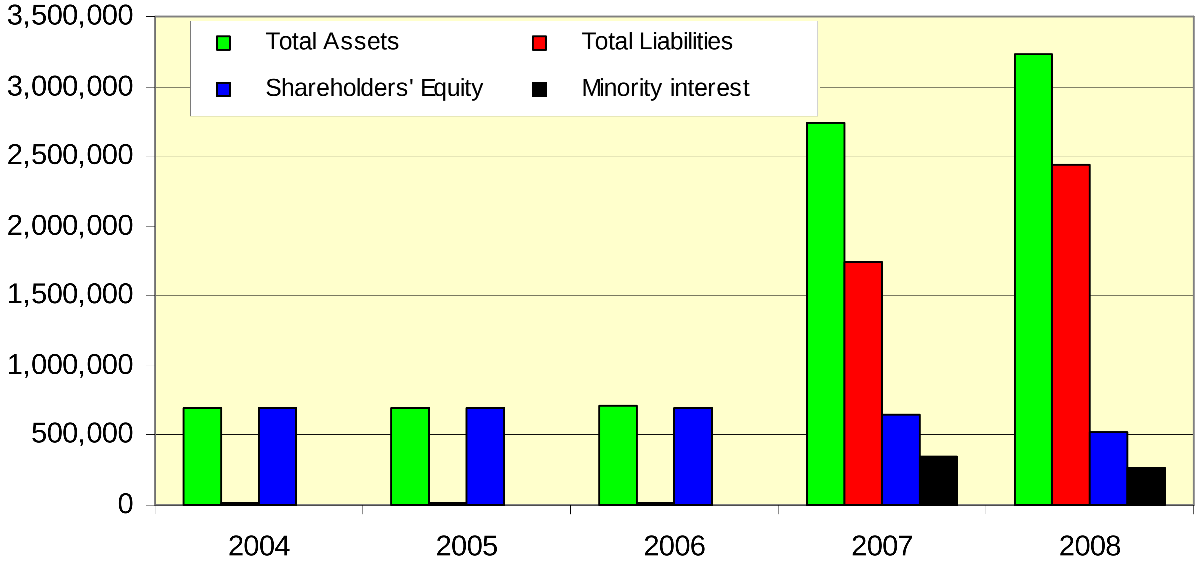
C. *Summary of Financial Position*
(2007 and 2008 are consolidated figures)

	As at December 31				
	2004 (SR '000)	**2005 (SR '000)**	**2006 (SR '000)**	**2007 (SR '000)**	**2008 (SR '000)**
ASSETS					
Current assets	572,888	117,182	64,728	310,095	340,798
Non-current assets	129,968	584,944	648,697	2,436,889	2,887,918
Total Assets	702,856	702,126	713,425	2,746,984	3,228,716
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities	9,061	9,498	8,874	139,821	300,490
Non-current liabilities	1,501	1,780	2,057	1,609,355	2,140,180
Total Liabilities	10,562	11,278	10,931	1,749,176	2,440,670
Shareholders' Equity [a]	692,294	690,848	702,494	650,510	515,423
Minority interest [b]	0	0	0	347,298	272,623
Total Liabilities and Shareholders' Equity	702,856	702,126	713,425	2,746,984	3,228,716

a. *Consolidated Shareholders' Equity figures are net of subsidiary's unrealized losses in fair value of derivatives as follows: SR29.0 million at 31-Dec-2007 and SR85.6 million at 31-Dec-2008.*

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

(Amounts in SR '000)



II. MAJOR EVENTS IN 2008

a) Construction of NATPET Propylene & Polypropylene Complex in Yanbu Industrial City was completed. Start-up took place in November 2008. The plant encountered some technical problems that are being addressed.

b) During December 2008, the Company entered into a number of agreements with partners in Arab Pesticide Industries Company (Mobeed) for the purchase of additional shares, thus increasing Alujain's ownership of Mobeed from 25% to 93.08%. The Company paid SR 12.1 million as consideration for the additional shares. Other shareholders are coming forth for the selling of their shares to Alujain. Once the deals are finalized, legal formalities in respect of the amended Articles of Association and Commercial Registration will be initiated.

c) At the beginning of the year, Director *Abdullah Y. AlMouallimi* resigned due to his appointment as ambassador of Kingdom of Saudi Arabia to Belgium. Eng. Khalid Zagzoog was appointed in his place.

d) Director Mansour Abdul-Ghaffar passed away in October 2008.

III. ZAKAT AND OTHER AMOUNTS PAID TO THE GOVERNMENT

On a standalone basis, Alujain has made a total provision of SR1,567,535 for Zakat expenses during the year 2008.

The DZIT had finalized Alujain's Zakat assessment for the years 1994 through 2002 and the Company paid its assessed liability. The Company has filed the final Zakat returns and has obtained from the DZIT restricted Zakat certificates for 2003, 2004, 2005, 2006 and 2007. The DZIT is in the process of reviewing these returns. Until now there are no questions/concerns received from the DZIT.

Following is a summary of amounts paid to the Government:

	2008 (SR '000)	**2007 (SR '000)**
Zakat	3,781	8,051
General Organization for Social Insurance	119	96
Registration, visas and other expenses	815	22
Total amounts paid to the Government	4,715	8,169

IV. SUBSIDIARY COMPANY

National Petrochemical Industrial Company (NATPET):

NATPET is a closed joint stock company incorporated in the Kingdom of Saudi Arabia with its head office in Jeddah and PP Complex in Yanbu Industrial City. The authorized and paid up capital comprised of 91,750,000 shares of SR10 per share as at 31 December 2008.

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

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

	2008 (SR '000)	**2007 (SR '000)**
Long-term portion:		
Commercial Banks' Syndication	1,110,013	1,171,202
Public Investment Fund loan	468,750	-
SIDF Loan	360,000	360,000
Others	21,646	18,750
Total long-term loans	1,960,408	1,549,952
Add: Current portion of Commercial Banks' Syndication loan	122,831	61,642
Total loans	**2,083,239**	**1,611,594**

The SIDF loan is secured by a mortgage over the fixed assets of the project and corporate guarantees from its shareholders. Alujain's guarantee is 57.04% of the total loan.

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

V. ASSOCIATE COMPANY

Arab Pesticide Industries Company (MOBEED):

Mobeed is a limited liability company incorporated in the Kingdom of Saudi Arabia with its head office in Jeddah and plant in Jubail Industrial City. It is engaged in the formulation, filling, packing, marketing and distribution of a wide range of Agrochemical, Public and Animal Health Pesticides and Aerosol Products. Mobeed factory is built to the highest technical and environmental standards and consists of Emulsion Concentrate and Suspension Concentrate formulation units, a Filling Line and a state-of-the-art Aerosol Line, and associated facilities.

During December 2008, Alujain entered into a number of agreements with partners in Mobeed for the purchase of their shares, thus increasing Alujain's ownership of Mobeed from 25% to 93.08%. The Company paid SR 12.1 million as consideration for the additional shares. Alujain continues to pursue other Shareholders to buy their shares. Once the deals are finalized, legal formalities in respect of the amended Articles of Association and Commercial Registration will be initiated with the concerned authorities.

VI. BOARD OF DIRECTORS

A. Constitution of the Board of Directors:

The Board of Directors currently consists of eight directors as follows:

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

B. Meetings:

During the Year 2008 the Board of Directors held 2 meetings as follows:

Meeting Date	Directors in Attendance	
	In Person	*By Proxy*
# 62) 19-01-2008	Khalid A.Y. Zainal Alireza Adnan Kamel Salah Abdallah Sadiq Dahlan Mohammad Ali Al-Naki Omar Hashim Khalifati *Abdullah Y. AlMouallimi*	Abdullah A. Kanoo Mansour Abdul-Ghaffar *Appointed ambassador*
# 63) 10-11-2008	Khalid A.Y. Zainal Alireza Khalid Ibrahim A. Zagzoog Omar Hashim Khalifati Adnan Kamel Salah	Abdullah A. Kanoo

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

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

D. Board Committees:

Audit Committee:

i) Mandate:

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

ii) Audit Committee Members:

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

iii) Meetings:

The committee held three meetings during 2008 as follows:

No. & Meeting Date	Name
# 32) 19-01-2008	Omar Hashim Khalifati Abdallah Sadiq Dahlan Ali Abdullah Kanoo Asad Hameed
# 33) 15-04-2008	Omar Hashim Khalifati Ali Abdullah Kanoo Asad Hameed
# 34) 25-10-2008	Omar Hashim Khalifati Ali Abdullah Kanoo Asad Hameed

E. Movement in Shares Owned By Directors and Their Immediate Family Members

Ownership Details of Directors

Name	No. of shares start of year	Ownership % start of year	Net change during year	% change during year	No. of shares end of year	Ownership % end of year
Khalid A.Y. Zainal Alireza *	6,035	0.009%	25,000	0.036%	31,035	0.045%
Abdulla Ali Kanoo *	1,000	0.001%	10,000	0.014%	11,000	0.016%
Abdallah Sadiq Dahlan *	1,000	0.001%	-	0.000%	1,000	0.001%
Omar Hashim Khalifati *	22,060	0.032%	-	0.000%	22,060	0.032%
Adnan Kamel Salah *	2,000	0.003%	-	0.000%	2,000	0.003%
Mohammad Ali Al-Naki *	1,000	0.001%	-	0.000%	1,000	0.001%
Abdulaziz M. A. Yamani *	1,000	0.001%	-	0.000%	1,000	0.001%
Khalid Ibrahim A. Zagzoog *	24,305	0.035%	-21,805	-0.032%	2,500	0.004%

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

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

	Board Members		Senior executives who received the highest remuneration (3 persons)
	Executive (1 person)	Non-executive/ Independent members (8 persons)	
Salaries and compensation	300,000	-	1,035,840
Allowances	6,000	21,000	363,000
Periodic and annual bonuses	-	-	-
Incentive plans	-	-	-
Other Compensations	-	-	387,812
Total	306,000	21,000	1,786,652

REMUNERATION OF AUDIT COMMITTEE

Position	Meeting Fees
Chairman	9,000
Members	14,000
Total	23,000

VIII. TRANSACTIONS WITH RELATED PARTIES

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

IX. PROFIT DISTRIBUTION POLICY

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

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

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

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

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

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

X. POTENTIAL BUSINESS RISKS

The Company and its subsidiary are subject to the risk of global economic downturn which will likely impact demand for petrochemical products, declining availability of credit facilities and the risk of changes in the rate of financial charges on its financial assets and liabilities, including bank deposits, bank facilities and term loans.

Alujain’s major investment is NATPET and therefore, any risks faced by NATPET will impact Alujain’s financial results.

XI. CORPORATE GOVERNANCE

The Company is following all the provision of Corporate Governance regulations except as detailed below:

1. The Company does not have a written policy, narrating clear procedures as to how a shareholder can introduce an agenda item in General Assembly’s agenda. However, the Company gives all shareholders the rights provided for in the Companies’ Law and the Articles of Association.
2. The Company does not have a Remuneration Committee and may not need it due to its limited workforce setup, the total executive and nonexecutive manpower working for Alujain Corporation is only thirteen (13), including the Chairman.
3. The Company has no written comprehensive risk management policy. However, the risk management strategy is continuously being discussed in Board and Audit Committee meetings.
4. The Company does not have written policy to regulate conflict of interest and remedy any possible cases of conflict of interest. However, any Board Member or Senior Manager does not participate in any voting or decision making where he has any conflict of interest. This aspect is managed according to the provisions of the Companies’ Law and Articles of Association.
5. The corporate regulations prohibit the company to conjoin the position of Chairman of the board of directors with any other executive position, such as CEO or Managing Director or the General Manager. However the Companies’ law and Articles of Association allow the combination of two senior positions. Application of this requirement needs amendment to the Articles of Association through an Extraordinary Shareholders meeting. The current Board term expires on 31/12/2011.

6. The accumulative voting procedure requires amendment to the Articles of Association through an Extraordinary Shareholders meeting. The Companies' Law and the Articles of Association were applied in election of the Board for the current term expiring on 31/12/2011.

XII. BOARD DECLARATIONS

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

XIII. BOARD OF DIRECTORS' RECOMMENDATIONS TO THE SHAREHOLDERS

1. Approval of the Board of Directors' Report for 2008.
2. Approval of the 2008 year-end financial statements and external auditors' report.
3. Approval of the appointment of external auditors for year 2009 from amongst the firms nominated by the Audit Committee.

4. Absolving the Board of Directors of their responsibilities for the financial year 2008.
5. Approval of appointment of Eng. Khalid Abdul-Razzak Al-Nafisee to succeed director late Mansour Abdul-Ghaffar for the remainder of the board term that started on 01.01.2009 for 3 years.

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

The Board would also like to thank the shareholders for their support and the management and staff of Alujain for their efforts which helped to make 2008 a successful year.

BOARD OF DIRECTORS

ALUJAIN CORPORATION
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2008

TOGETHER WITH AUDITORS' REPORT

ERNST & YOUNG

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AUDITORS' REPORT TO THE SHAREHOLDERS OF ALUJAIN CORPORATION

Scope of audit:

We have audited the accompanying consolidated balance sheet of **ALUJAIN CORPORATION** (a Saudi Joint Stock Company) and its subsidiary as at 31 December 2008 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from 1 to 23 which are an integral part of these consolidated financial statements. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the provisions of Article (123) of the Regulations for Companies and submitted to us together with all the information and explanations which are required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified opinion:

In our opinion, the consolidated financial statements taken as a whole:

1. Present fairly, in all material respects, the financial position of Alujain Corporation and its subsidiary as at 31 December 2008 and the results of their operations and their cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

2. Comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the financial statements.

ERNST & YOUNG

SAMI FARAH
LICENCE NO. 168

PROFESSIONAL LICENCE NO. 45
ERNST & YOUNG

18 February 2009
Jeddah, Kingdom of Saudi Arabia

Alujain Corporation (a Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET
As at 31 December 2008

	Note	***2008*** ***SR***	*2007* *SR*
ASSETS			
CURRENT ASSETS			
Bank balances and cash		**113,359,681**	200,955,796
Short-term investments in Murabaha Funds		**36,984,655**	25,401,221
Security deposits		**45,824,383**	-
Advances to suppliers		**23,785,799**	-
Accounts receivable and prepayments		**8,446,101**	9,932,568
Amounts due from affiliates	4	**2,319,434**	9,848,965
Inventories	5	**110,077,524**	63,956,868
TOTAL CURRENT ASSETS		**340,797,577**	٣١٠,٠٩٥,٤١٨
NON-CURRENT ASSETS			
Security deposits	21	**20,198,400**	47,190,623
Investments, net	6	**31,289,127**	38,059,188
Projects under study, net	7	**1,415,224**	770,610
Work in progress	8&3	**2,758,180,763**	2,271,264,132
Pre-operating expenses	9&3	**43,729,504**	43,729,504
Deferred financial charges, net	13	**23,297,044**	26,443,345
Property and equipment, net	10	**9,808,293**	9,431,268
TOTAL NON-CURRENT ASSETS		**2,887,918,355**	2,٤٣٦,٨٨٨,٦٧٠
TOTAL ASSETS		**3,228,715,932**	2,746,984,088
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Amounts due to affiliates	4	**5,639,534**	10,340,059
Accounts payable, accruals and other liabilities	11	**122,988,918**	59,536,504
Short-term loans	12	**40,000,000**	-
Current portion of long-term loans	13	**122,831,228**	61,642,211
Zakat provision	14	**9,030,278**	8,301,974
TOTAL CURRENT LIABILITIES		**300,489,958**	139,820,748
NON-CURRENT LIABILITIES			
Long-term loans	13	**1,960,408,210**	1,549,952,007
Other long-term liabilities	15	**174,258,296**	55,733,719
End of service benefits		**5,513,344**	3,669,075
TOTAL NON-CURRENT LIABILITIES		**2,140,179,850**	1,609,354,801
TOTAL LIABILITIES		**2,440,669,808**	1,749,175,549
SHAREHOLDERS' EQUITY			
Authorized capital and fully paid (69,200,000 shares of SR 10 per share)		**692,000,000**	692,000,000
Statutory reserve	16	**17,316,057**	17,316,057
Accumulated losses		**(107,063,336)**	(41,961,162)
Cumulative changes in fair values	17	**(86,829,845)**	(16,844,743)
TOTAL SHAREHOLDERS' EQUITY OF THE PARENT COMPANY		**515,422,876**	650,510,152
Minority interest		**272,623,248**	347,298,387
TOTAL SHAREHOLDERS' EQUITY		**788,046,124**	997,808,539
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**3,228,715,932**	2,746,984,088

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME
Year Ended 31 December 2008

	Note	***2008 SR***	*2007 SR*
Income from bank deposits and dividends	18	**2,876,194**	19,570,889
Revenue from investments in Murabaha Funds		**1,847,761**	1,791,990
Realized gain on investments		**-**	1,009,805
Write back of provision for work in progress		**1,739,822**	-
Gain on sale of property and equipment		-	187,472
Other income		**109,627**	-
		6,573,404	22,560,156
Provision for investments and projects under study	6&7	**(5,822,305)**	(2,084,162)
Impairment loss on value of investments	17	**(9,945,378)**	-
General and administrative expenses	19	**(61,862,447)**	(59,400,000)
Changes in fair value of derivatives	2	**(21,726,037)**	(8,144,963)
		(99,356,167)	(69,629,125)
NET LOSS BEFORE ZAKAT AND MINORITY INTEREST		**(92,782,763)**	(47,068,969)
Zakat	14	**(5,003,160)**	(14,416,464)
NET LOSS BEFORE MINORITY INTEREST		**(97,785,923)**	(61,485,433)
Minority interest		**32,683,749**	22,039,194
NET LOSS		**(65,102,174)**	(39,446,239)
Loss per common share on net loss before minority interest	20	**(1.41)**	(0.89)
Loss per common share on net loss attributable to equity shareholders of the parent	20	**(0.94)**	(0.57)

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended 31 December 2008

	Note	***2008*** ***SR***	*2007* *SR*
OPERATING ACTIVITIES			
Net loss		**(65,102,174)**	(39,446,239)
Adjustments to reconcile net loss to net cash used in operating activities:			
Net expenses of project under progress charged to income statement	3	**-**	13,194,049
Depreciation		**2,585,956**	1,942,392
Write back of provision for work in progress		**(1,739,822)**	-
Zakat		**5,003,160**	11,115,169
Gain on sale of property and equipment		**-**	(187,472)
Changes in fair value of derivatives		**21,726,037**	8,144,963
Impairment loss on value of investments		**9,945,378**	-
Provision for investments and projects under study		**5,822,305**	2,084,162
Realized gain on investments		-	(1,009,805)
Revenue from investments in Murabaha Funds		**(1,847,761)**	(1,791,990)
Minority interest		**(32,683,749)**	(22,039,194)
Changes in operating assets and liabilities:			
Advance to suppliers		**(23,785,799)**	-
Accounts receivables and prepayments		**1,486,467**	1,096,764
Amounts due from affiliates		**7,529,531**	(697,771)
Inventories		**(46,120,656)**	-
Accounts payable and accruals		**61,679,615**	(6,442,356)
Amounts due to affiliates		**(4,700,525)**	7,099,013
End of service benefits		**1,844,269**	573,745
Zakat paid		**(4,274,856)**	(8,050,891)
Net cash used in operating activities		**(62,632,624)**	(34,415,461)
INVESTING ACTIVITIES			
Proceeds from sale of available for sale investments		-	18,111,284
Work in progress		**(482,030,508)**	(827,909,214)
Expenditure on projects under study		**(849,694)**	(1,138,075)
Movement of short-term investments in Murabaha Funds		**(9,735,673)**	971,264
Security deposits		**(18,832,160)**	34,151,011
Payments for purchase of property and equipment		**(2,962,981)**	(9,322,642)
Proceeds from sale of property and equipment		-	201,000
Additional investment in an associate		**(22,197,695)**	-
Net cash used in investing activities		**(536,608,711)**	(784,935,372)
FINANCING ACTIVITIES			
Long-term loans		**471,645,220**	1,411,594,218
Short-term loans		**40,000,000**	(505,703,242)
Net cash provided by financing activities		**511,645,220**	905,890,976
NET CHANGE IN BANK BALANCES AND CASH		**(87,596,115)**	86,540,143
Bank balances and cash - beginning of the year		**200,955,796**	114,415,653
BANK BALANCES AND CASH - END OF THE YEAR		**113,359,681**	200,955,796

The attached notes 1 to 24 form part of these consolidated financial statements.

	Note	***2008 SR***	*2007 SR*
SUPPLEMENTARY INFORMATION FOR NON-CASH TRANSACTIONS			
Total assets as at 1 January 2007 transferred by a subsidiary		-	(1,084,793,535)
Total liabilities as at 1 January 2007 transferred by a subsidiary		-	1,160,251,864
Net expenses of project under progress reclassified to work in progress	3	-	56,080,006
Net expenses of project under progress reclassified to pre-operating expenses	3	-	43,729,504
Inventory transferred from work in progress		-	63,956,868
Amortization of deferred financial charges transferred to work in progress		**3,146,301**	3,145,936

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
Year Ended 31 December 2008

	Note	***2008 SR***	*2007 SR*
SHAREHOLDERS' EQUITY OF THE PARENT COMPANY			
CAPITAL		**692,000,000**	692,000,000
STATUTORY RESERVE	16	**17,316,057**	17,316,057
ACCUMULATED LOSSES			
Beginning balance		**(41,961,162)**	(2,514,923)
Loss for the year		**(65,102,174)**	(39,446,239)
Ending balance		**(107,063,336)**	(41,961,162)
CUMULATIVE CHANGES IN FAIR VALUES	17		
Beginning balance		**(16,844,743)**	(4,307,448)
Fair value adjustments		**(79,930,480)**	(12,537,295)
Impairment loss on value of investments		**9,945,378**	-
Ending balance		**(86,829,845)**	(16,844,743)
TOTAL SHAREHOLDERS' EQUITY OF THE PARENT COMPANY		**515,422,876**	650,510,152
Minority interest		**272,623,248**	347,298,387
TOTAL SHAREHOLDERS' EQUITY		**788,046,124**	997,808,539

The attached notes 1 to 24 form part of these consolidated financial statements.

1. ACTIVITIES

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

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

During the year ended 31 December 2006, Alujain Corporation has transferred an amount of SR 360 million from projects under implementation to its investment in National Petrochemical Industrial Company (NATPET), which was converted by NATPET during the second quarter of 2007 to common shares as Alujain's additional investment in NATPET, thus increasing Alujain's share in NATPET from 37.03% to 57.4%. Therefore, the accompanying consolidated financial statements include the financial statements of NATPET as at 31 December 2008 and 2007.

In 2004, management of the subsidiary company decided to form a joint venture company - Teldene, to operate the subsidiary company's project. This decision was revised by the subsidiary's Board of Directors which resolved in its meeting on 19 September 2007 that the project will now be operated by the subsidiary company, NATPET. Previously the net expenses of the project were to be recovered by NATPET from the proposed joint venture project company. Following the Board of Directors' above decision, these expenses were charged to the statement of income or reclassified to pre-operating expenses and work in progress during 2007 (see Note 3). The current status of the project and the different stages that the project has gone through since inception are detailed in Notes 3 and 8.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Use of estimate
The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

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

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

Net expenses of project under progress
Net expenses of project under progress represent costs incurred during the construction of the plant up to 30 June 2007 (see Note 3).

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

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

Expenditure for repair and maintenance are charged to income. Improvements that increase the value or materially extend the life of the related assets are capitalized.

Impairment and uncollectibility of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

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

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

Borrowing costs
Borrowing costs that are directly attributable to the construction of an asset are capitalized up to the stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging (continued)

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

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

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

3. NET EXPENSES OF PROJECT UNDER PROGRESS

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

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

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

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

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

3. NET EXPENSES OF PROJECT UNDER PROGRESS (continued)

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

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

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

The movement of net expenses of project under progress for the year ended 31 December 2007 is as follows:

	SR
Beginning on 1 January 2007	**98,300,060**
Net expenses during the six months ended 30 June 2007	**22,033,630**
Balance on 30 June 2007	**120,333,690**
Transfer from net expenses during the period from 1 July 2007 to 30 September 2007:	
Amount charged to income statement	**(20,524,180)**
Amount reclassified to work in progress	**(56,080,006)**
Amount reclassified to pre-operating expenses	**(43,729,504)**
Balance on 31 December 2007 and 31 December 2008	**-**

3. NET EXPENSES OF PROJECT UNDER PROGRESS (continued)

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

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

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

4. RELATED PARTY TRANSACTIONS

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

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

Related party	Nature of transaction	***2008*** ***SR***	*2007* *SR*
Board of Directors	Remunerations	**350,000**	370,000
Hidada Company Ltd.	Joint expenses charged by the Company	**-**	169,043
Saudi Cable Company	Joint expenses charged by the Company	**-**	155,156
Saudi Cable Company	Joint expenses charged to the Company	**144,000**	163,260
Xenel Industries Co. Ltd.	Joint expenses charged to the Company	**6,273,400**	8,990,142
Xenel International Ltd.	Joint expenses charged to the Company	**3,870,099**	-
Safra Company Ltd.	Joint expenses charged to the Company	**5,124,455**	14,653,800
Safra Company Ltd.	Joint expenses charge by the Company	**468,468**	846,801
Chemglobal Corporation	Joint expenses charged to the Company	**2,187,705**	-

4. RELATED PARTY TRANSACTIONS (continued)

Related party balances are comprised of the following:

	2008 ***SR***	*2007* *SR*
Due from related parties		
Saudi Cable Company	**195,676**	194,798
Xenel Industries Co. Ltd.	**101,504**	8,190,000
Xenel International Ltd	**873,331**	-
Arab Pesticide Industries Co. (MOBEED)	**246,458**	246,458
Safra Company Ltd.	**468,211**	669,711
Hidada Company Ltd.	**434,254**	547,998
	2,319,434	9,848,965
Due to related parties		
Saudi Cable Company	**820,021**	695,278
Saudi Information Development Industries (SIDI)	**-**	15,283
Xenel Industries Co. Ltd.	**-**	5,932,110
Safra Company Ltd.	**2,631,809**	3,697,388
Chemglobal Corporation	**2,187,704**	-
	5,639,534	10,340,059

5. INVENTORIES

Inventories are comprised of the following as at 31 December:

	2008 ***SR***	*2007* *SR*
Finished goods	**23,481,387**	418,605
Raw materials	**38,583,092**	63,328,638
Spare parts	**48,013,045**	209,625
	110,077,524	63,956,868

6. INVESTMENTS, NET

Investments are comprised of the following as at 31 December:

		2008 ***SR***	*2007* *SR*
Investment in an associate	- see (a) below	**16,580,470**	-
Available for sale securities	- see (b) below	**13,283,107**	36,633,638
Other investments	- see (c) below	**1,425,550**	1,425,550
		31,289,127	38,059,188

a) Investment in an associate is comprised of the following as at 31 December:

	2008 ***SR***	*2007* *SR*
Cost of investment	**42,823,141**	20,625,446
Provision	**(26,242,671)**	(20,625,446)
	16,580,470	-

6. INVESTMENTS, NET (continued)

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

	2008 *SR*	*2007* *SR*
Begining balance	**-**	-
Additions during the year	**22,197,695**	-
Provision during the year	**(5,617,225)**	-
Ending balance	**16,580,470**	-

The balance of SR 16.6 million represents an investment in Arabian Pesticides Manufacturing Company Limited (MOBEED), an associated company. During December 2008, the Company entered into a number of agreements with partners in MOBEED for the purchase of additional shares, thus increasing Alujain's ownership of MOBEED from 25% to 93.08%, Included in additions is an amount of SR 12.1 million paid by the Company as consideration for the additional shares. As the Ministerial approval is pending and the legal formalities in respect of the amended Articles of Association and Commercial Registration have not yet been finalized, the Company does not have control over MOBEED as at 31 December 2008. Furthermore, the Company intends to sell 50% of its shares to a related party. Accordingly it is not consolidated.

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

	2008 *SR*	*2007* *SR*
Beginning balance	**36,633,638**	37,272,721
Disposals during the year	**-**	(19,329,801)
Unrealized (loss) gain on revaluation of investments	**(23,350,531)**	18,690,718
Ending balance	**13,283,107**	36,633,638

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

	2008 *SR*	*2007* *SR*
Beginning balance	**1,425,550**	3,046,340
Provision during the year	**-**	(1,620,790)
Ending balance	**1,425,550**	1,425,550

7. PROJECTS UNDER STUDY, NET

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

	2008 ***SR***	*2007* *SR*
Beginning balance	**770,610**	95,907
Addition during the year	**849,694**	1,138,075
Provision during the year	**(205,080)**	(463,372)
Ending balance	**1,415,224**	770,610

8. WORK IN PROGRESS

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

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

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

Lurgi Company of Germany and Tecnimont Company of Italy (the Contractors) started the engineering, procurement and construction activities according to the early work agreement. Currently, the overall progress of the plant exceeds 99%. The subsidiary company has signed a facility agreement on 28 February 2006 with a consortium of seven local and international banks. The consortium has agreed to lend the Company an amount of US$ 411 million. Also, the Company signed a loan agreement with the SIDF for a loan amount of SR 400 million. NATPET reached a 10 years marketing agreement with Noble Americas under which Noble will market about 50% of the Polypropylene production capacity of 400,000 tones per year. NATPET will have the option of increasing the quantity up to 100% of capacity. This off-take will be sold in South East Asia, Indian Subcontinent and China which are all promising markets. Noble has invested up to US$ 5 million in the project.

The current year additions to work in progress include SR 113.4 million of capitalized borrowing cost. The average rate of borrowing during the construction period was 7.47%.

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

Commissioning and start up of the complex is envisioned to be in the second quarter of 2009, following test runs in the fourth quarter of 2008.

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

9. PRE-OPERATING EXPENSES

Pre-operating expenses represents the amount reclassified by the subsidiary Company from net expenses of project under progress (Note 3) and relates to project development expenditure incurred prior to 2002. These expenses have been capitalized as pre-operating expenses following the NATPET Board of Directors decision on 19 September 2007 to retain the Teldene Polypropylene project in NATPET, as management believes that the future benefit associated with these costs is certain and evident.

10. PROPERTY AND EQUIPMENT, NET

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

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

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

	2008					
Description	***Leasehold improvements SR***	***Furniture and fixtures SR***	***Office equipment SR***	***Computers SR***	***Vehicles SR***	***Total SR***
Cost:						
At the beginning of the year	**2,133,762**	**1,926,201**	**1,452,577**	**5,439,089**	**1,536,700**	**12,488,329**
Additions	**17,650**	**177,450**	**877,887**	**1,450,644**	**439,350**	**2,962,981**
At the end of the year	**2,151,412**	**2,103,651**	**2,330,464**	**6,889,733**	**1,976,050**	**15,451,310**
Depreciation:						
At the beginning of the year	**457,171**	**199,411**	**648,639**	**1,027,894**	**723,946**	**3,057,061**
Charge for the year	**408,521**	**353,382**	**316,382**	**1,129,572**	**378,099**	**2,585,956**
At the end of the year	**865,692**	**552,793**	**965,021**	**2,157,466**	**1,102,045**	**5,643,017**
Net Book Amounts	**1,285,720**	**1,550,858**	**1,365,443**	**4,732,267**	**874,005**	**9,808,293**

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

11. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

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

	2008 ***SR***	*2007* *SR*
Accounts payable	**32,087,657**	28,544,984
Accrued expenses	**72,698,984**	27,686,844
Change in fair value of derivatives	**17,830,658**	2,933,354
Other payables	**371,619**	371,322
	122,988,918	59,536,504

12. SHORT-TERM LOANS

Short term loans balance as at 31 December 2008 represents the bridge loans granted to the subsidiary Company by a local bank on account of capital expenditure incurred in the construction of the plant. The interest rates used by the bank are the market rates prevailing at that time.

13. LONG-TERM LOANS

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

	2008 ***SR***	*2007* *SR*
Commercial Banks' syndication	**1,232,844,218**	1,232,844,218
Public Investment Fund loan	**468,750,000**	-
SIDF Loan	**360,000,000**	360,000,000
Others	**21,645,220**	18,750,000
	2,083,239,438	1,611,594,218
Less: Current portion of Commercial Banks' syndication	**(122,831,228)**	(61,642,211)
	1,960,408,210	1,549,952,007

The subsidiary Company signed an agreement with Public Investment Fund (PIF) on 23 June 2008 for a loan of SR 469 million and has drawn SR 469 million up to 31 December 2008. The loan is repayable in 20 bi-annual installments starting in 2011.

The SIDF loan amount is SR 400 million of which SR 360 million was drawn down by 31 December 2008 (31 December 2007: SR 360 million). The SIDF loan carries administration fees amounting to SR 30 million (deferred financial charges balance of SR 23,297,044 as at 31 December 2008 (31 December 2007: SR 26,443,345), appearing in the balance sheet), which is being amortized over the term of the loan on a straight line basis. The SIDF loan is repayable in 13 bi-annual installments starting in 2010 and is secured by a mortgage over the fixed assets of the project (shown under work in progress in the balance sheet –see Note 8) and corporate guarantee / comfort letter as follows:

	Security type	%
Xenel Industries Co. Ltd.	Corporate guarantee	25.9
Safra Co. Ltd.	Corporate guarantee	5
Alujain Corporation	Corporate guarantee	57.4
GOSI	Comfort letter	11.7

The Commercial Banks' syndication term loans are secured by a second charge on the subsidiary Company's assets. These loans carry borrowing costs at commercial rates and are repayable in 17 bi-annual installments commencing from the end of June 2009. The installments due in 2009 are shown as a current liability.

14. ZAKAT

a) Zakat computation for the years ended 31 December 2008 and 2007 was based on the standalone financial statements for the parent Company and the subsidiary Company.

b) Movement of Zakat provision during the years ended 31 December was as follows:

	2008	*2007*
	SR	*SR*
Beginning balance	**8,301,974**	4,152,981
Provided during the year (*)	**5,003,160**	11,115,169
Paid during the year	**(4,274,856)**	(8,050,891)
Transferred from provision	-	1,084,715
Ending balance	**9,030,278**	8,301,974

(*) For the year 31 December 2007, Zakat charged to the consolidated statement of income also includes SR 3,301,295 transferred from net expenses of project under progress (Note 3).

c) Zakat status

1- Alujain Corporation (The Parent Company):
The Company filed the final Zakat returns for the years ended 31 December 2003, 2004, 2005, 2006 and 2007. It has obtained the restricted Zakat certificates. The (DZIT) has not yet raised its assessments for these years.

2- National Petrochemical Industrial Company (The Subsidiary Company):
The Company filed its Zakat returns for the period/years ended 31 December 1999 to 2005 and obtained the restricted Zakat certificate. The DZIT issued the final Zakat assessment for the period/years ended 31 December 1999 to 2005 and claimed additional Zakat differences, withholding and penalties of SR 8,559,649. The Company objected against the above assessment, which has been transferred to preliminary objection committee for review and decision. The preliminary objection committee issued its decision by which Zakat and withholding tax differences were reduced to SR 7,435,625. The Company filed an appeal against the preliminary objection committee decision with the higher appeal committee, which is still under review by higher appeal committee. The Company filed its Zakat returns for the years ended 31 December 2006 an 2007 and obtained the restricted Zakat certificates for the mentioned years. The DZIT did not issue the final assessments for the mentioned years to date.

15. OTHER LONG-TERM LIABILITIES

Other long-term liabilities are comprised of the following as at 31 December:

	2008	*2007*
	SR	*SR*
Change in fair value of derivatives	**161,133,791**	55,733,719
Other long-term payable	**13,124,505**	-
	174,258,296	55,733,719

16. STATUTORY RESERVE

In accordance with Saudi Arabian Companies Law and the Company's Articles of Association, 10% of the annual net income is required to be transferred to the statutory reserve until this reserve equals 50% of the capital. No transfer to the reserve was made in 2008 and 2007, as the Company has accumulated losses. The statutory reserve is not available for dividend distribution

17. CUMULATIVE CHANGES IN FAIR VALUES

Movement in cumulative changes in fair values for the years ended 31 December was as follows:

	2008 ***SR***	*2007* *SR*
Beginning balance	**(16,844,743)**	(4,307,448)
Unrealized (loss) gain on revaluation of investments, net of amount realized on disposed investments	**(23,350,531)**	16,462,396
Unrealized loss relating to cash flow hedges (Note 2)	**(56,579,949)**	(28,999,691)
Impairment loss on value of investments	**9,945,378**	-
Ending balance	**(86,829,845)**	(16,844,743)

18. INCOME FROM BANK DEPOSITS AND DIVIDENDS

Income from bank deposits and dividends is comprised of the following for the years ended 31 December:

	2008 ***SR***	*2007* *SR*
Income from bank deposits (see note below)	**2,401,015**	18,306,673
Dividend income	**475,179**	1,264,216
	2,876,194	19,570,889

The 2007 amount includes SR 12,086,944 transferred from net expenses of project under progress up to 30 June 2007, relating to the subsidiary Company (Note 3).

19. GENERAL AND ADMINISTRATIVE EXPENSES

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

	2008 ***SR***	*2007* *SR*
Salaries and wages	**30,426,728**	21,753,072
Travel and accommodation	**4,796,967**	4,563,766
Meetings, seminars & conferences	**395,677**	1,519,593
Legal and professional fees	**1,357,238**	3,072,554
Public relation and publicity	**1,356,440**	928,703
Board of directors	**350,000**	370,000
Engineering and technical assistance	**882,654**	1,656,352
Rents	**3,317,252**	4,825,586
Postage, phones and electricity	**4,304,709**	3,588,809
Subscriptions	**710,099**	714,979
Depreciation	**2,585,956**	2,286,965
Information technology	**115,232**	232,493
Repairs and maintenance	**100,447**	111,840
Other	**11,163,048**	20,793,536
Expenses recovered from affiliated companies	**-**	(7,018,248)
	61,862,447	59,400,000

The 2007 expenses include SR 25,309,829 transferred from net expenses of project under progress up to 31 December 2007, relating to the subsidiary Company (Note 3).

20. LOSS PER COMMON SHARE

Loss per common share on net loss before minority interest is calculated by dividing the net loss before minority interest by the weighted average number of common shares in issue during the year.

Loss per common share on net loss attributable to equity shareholders of the parent is calculated by dividing the net loss attributable to equity holders of the parent by the weighted average number of common shares in issue during the year.

The weighted average number of ordinary shares outstanding during the year ended 31 December 2008 and 2007 was 69.2 million shares of SR 10 each. The calculation of diluted earnings per share is not applicable to the Company.

21. CONTINGENT LIABILITIES

a) The Company has outstanding letters of credit amounting of SR 31,760,000 of which SR 20,198,400 is secured by bank deposit (2007: SR 55,580,000 of which SR 37,031,448 was secured by bank deposit) on behalf of the subsidiary company (NATPET), and included under security deposits.

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

22. RISK MANAGEMENT

Interest rate risk
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group is subject to interest rate risk on its interest bearing assets and liabilities, including security and bank deposits and loans.

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

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group manages its liquidity risk by ensuring that bank facilities are available. Trade payables are normally settled within 30-90 days of the date of purchase.

22. RISK MANAGEMENT (continued)

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 31 December 2008, based on contractual payment dates and current market interest rates:

Year ended 31 December 2008	*Less than 3 months SR*	*3 to 12 months SR*	*1 to 5Years SR*	*> 5 years SR*	*Total SR*
Due to affiliates	2,706,862	2,932,672	-	-	**5,639,534**
Accounts payable, accruals & other liabilities	45,776,418	77,212,500	108,988,959	65,269,337	**297,247,214**
Short-term loans	-	40,000,000	-	-	**40,000,000**
Term loans	-	122,831,228	1,086,408,020	874,000,190	**2,083,239,438**
Total	48,483,280	242,976,400	1,195,396,979	939,269,527	**2,426,126,186**

Year ended 31 December 2007	*Less than 3 months SR*	*3 to 12 months SR*	*1 to 5Years SR*	*> 5 years SR*	*Total SR*
Due to affiliates	7,099,015	3,241,044	-	-	**10,340,059**
Accounts payable, accruals & other liabilities	36,893,993	22,642,511	27,426,857	28,306,862	**115,270,223**
Term loans	-	61,642,211	557,506,481	992,445,526	**1,611,594,218**
Total	43,993,008	87,525,766	584,933,338	1,020,752,388	**1,737,204,500**

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Riyals, US Dollars and Euros, during the year. Accounts payable include an amount of SR 17,938,406 due in Euros (2007: SR 10,778,036).

23. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Group's financial assets consist of bank balances and cash, its financial liabilities consist of bank loans, payables, and accrued expenses and its derivatives consist of interest rate swaps. The fair values of financial instruments are not materially different from their carrying values.

24. RECLASSIFICATIONS

Certain reclassifications have been made to the 2007 consolidated financial statements to conform to the classifications used in 2008.